



**VOZROZHDENIE  
BANK**

THE BANK THAT IS ALWAYS WITH YOU

FOR

**Annual Report**

60,000

corporate clients

1,546,000

retail clients

173

offices

730

ATMs

1,392,000

bank cards

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# Portrait of the Bank

Offering an individual service for corporate clients and individuals, Bank Vozrozhdenie provides financial services across the whole of Russia. With a history dating back to 1991, the Bank is one of the largest financial institutions in Russia today and has been among the country's top 30 banks for 18 years in a row.

Bank Vozrozhdenie's network consists of 173 branches and 730 ATMs in 21 Russian regions, primarily those in the European part of the country: Moscow Region and the Southern and North-West areas of the country.

The Bank serves around 60,000 corporate clients and 1.5 million retail clients, offering a varied range of services that include deposits, cash management, business financing, mortgage and consumer lending, and bank cards. One particularly noteworthy feature is the loyalty of clients, many of whom have been with the Bank for 20 years.

Bank Vozrozhdenie's strategy is based on developing its competitive advantages, a business that generates stable fees and commission income and its small and medium-sized enterprise (SME) programs; it has a solid funding base, customer funds. The Bank adheres to a conservative risk-management policy, which has enabled

it to emerge from all of the financial crises in modern Russian history without losses.

In December 2010, authoritative UK magazine *The Banker* (a Financial Times publication) named Bank Vozrozhdenie as Bank of the Year in Russia.

Bank Vozrozhdenie is one of the few financial institutions in Russia whose shares are traded on local and international stock exchanges. Over 9,000 individuals and legal entities are among its shareholders, and many have been investors for over 15 years. The Bank shows an unwavering commitment to observing the rights and interests of its shareholders, and year after year it is acknowledged as one of the leaders on Russia's financial market in terms of corporate governance.

Bank Vozrozhdenie has published financial statements according to Russian Accounting Standards and International Financial Reporting Standards since 1991. Its external auditor is PricewaterhouseCoopers Audit. The Bank has long-term credit ratings of 'Ba3' from Moody's and 'B+' from Standard & Poor's.

### Market positions\*

3rd by loans to the SME sector  
6th by volume of mortgages originated  
11th by bank cards issued  
13th by individual deposits

18th by number of ATMs  
20th by loans to legal entities  
20th by volume of loan portfolio  
497th worldwide by brand value\*\*

\* Based on information from RBC  
Rating  
\*\* Rating of the world's 500 largest  
bank brands by value, carried out by  
independent international consulting  
company Brand Finance

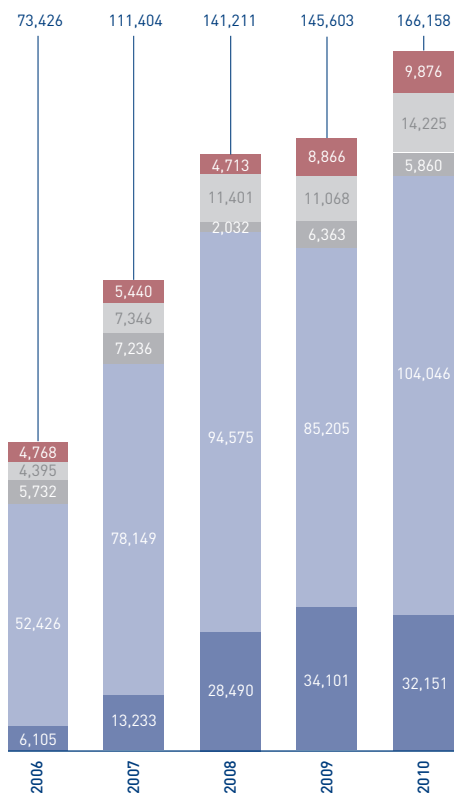
Key business results	2010	2009	Change
Assets, RUB billion	166.2	145.6	14.1%
Loan portfolio (excluding provisions), RUB billion	104.0	85.2	22.1%
Retail client funds, RUB billion	85.2	68.6	24.2%
Income, RUB billion	0.6	1.2	-50.0%
Capital adequacy	15.2%	19.0%	-3.8 pps
ROE	3.5%	7.8%	-4.3 pps
Number of retail clients, '000	1,546	1,503	2.9%
Number of corporate clients, '000	60	56	7.1%

### Credit ratings

Agency	Type	Rating	Outlook
Moody's Investors Service	Foreign-currency deposit rating	Ba3/NP	Stable
	Local-currency deposit rating	Ba3/NP	Stable
	Financial stability	D-	Stable
Standard & Poor's	Long-term counterparty credit rating	B+	Positive
	Short-term counterparty credit rating	B	Positive
	National-scale rating	ruA+	Positive
Moody's Interfax	Long-term national-scale credit rating	Aa3.ru	Stable

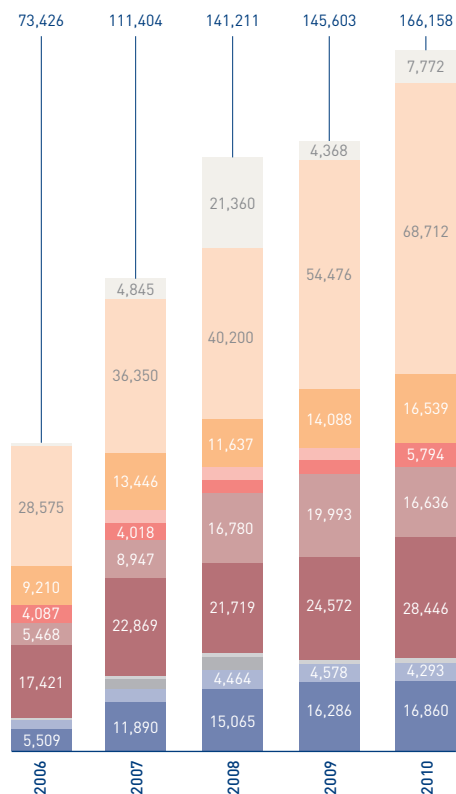
The financial results in the table "Key business results" are according to IFRS, as are all other figures in this report.

Dynamics and structure of assets, RUB million



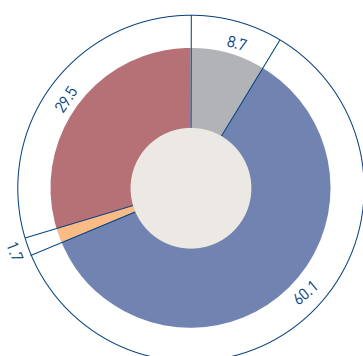
- Cash and equivalents
- Loans to customers
- Interbank loans
- Securities
- Other assets

Dynamics and structure of liabilities, RUB million



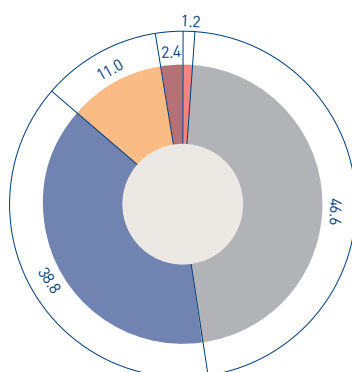
- Capital
- Subordinated deposits
- Syndicated loans
- Other
- Corporate current accounts
- Corporate deposits
- Promissory notes and depository
- Bonds
- Individual current accounts
- Individual deposits
- Due to other banks

Structure of assets, %



- Corporate business
- Retail business
- Operations on financial markets
- Bank cards

Structure of liabilities, %



- Corporate business
- Retail business
- Operations on financial markets
- Bank cards
- Other\*

\* Operating income excluding provisions for loan write-offs.





Dmitry Orlov, Chairman of the Management Board

Bank Vozrozhdenie's business development focuses on key areas of corporate and retail demand to ensure long-term growth of shareholder value.

# Letter from the Chairman of the Management Board

Dear shareholders, colleagues and partners,

Last year, banks saw their business recover following the crisis. The most acute phase of the crisis passed, and the banking sector showed positive signs of rejuvenation amid renewed macroeconomic growth. This trend was demonstrated by both loan growth and improvements in asset quality. The crisis changed the landscape of the banking sector substantially, increasing competition as a whole and strengthening the position of state-owned banks. Moreover, for the first time, Russian banks had to operate in an environment of a low refinancing rate and moderate inflation.

For Bank Vozrozhdenie, 2010 was a transition period to a post-crisis growth model. Strict plans were established across all segments of business based on prevailing market conditions. The key priorities were reducing funding costs and expanding the loan portfolio while maintaining its high quality. The bank has also made internal changes to improve its business processes and offer new high-tech services.

Over the year, the Bank managed to meet its targets. A number of performance indicators approached pre-crisis levels, and in some segments even surpassed them. The key success factor was solid, trust-based relationships with our partners and clients, who not only remained loyal to Bank Vozrozhdenie during the worst of the crisis, but also extended cooperation in the year, despite fierce competition on pricing from state-owned banks. Developing relationships

with existing clients formed the core of the Bank's approach in 2010, and this strategy more than justified itself.

Thanks to support from our clients and partners, the Bank was able to reduce the cost of financing as planned during the year. The average cost of financing under IFRS in 2010 fell from 7.1% to 6.1%, and at year-end the interest-rate spread stood at 6.3%. Client funds grew by more than RUB 17.2 billion, 36.7% of which were retail and corporate current accounts, which represent an almost cost-free source of funding.

Client funds remained the principal source of funding for the Bank's operations. In 2010, the Bank expanded its total loan portfolio by 22.1%, compared to market growth of 12.6%.

As demand for credit rose in 2010, the Bank adhered to its conservative approach to risk management, maintaining its problem-loan reserve coverage under IFRS at almost 100%. Loan-loss provisions grew by RUB 1.51 billion as a result of loan-book growth, but its share in the loan portfolio remained almost unchanged. At the same time, the Bank attracted new key client types by extending its credit offering into new areas and by relaxing conditions on a number of loan products. This resulted in a mortgage portfolio of over RUB 10 billion, a record high, while corporate lending grew by more than 20%.

Separately, I would like to mention our success with SMEs, which are a key client segment for Bank Vozrozhdenie. In 2010, with support from the EBRD and regional funds to support small businesses, the Bank increased loans



to this segment by 24.5%, to RUB 60 billion, having strengthened its position as one of Russia's leading lenders to SMEs.

Increased competitive pressures from state-owned banks forced us to focus on cross-selling. A cutting-edge CRM system, an active sales strategy and motivated staff have all helped us to achieve significant progress in this area. A high level of non-interest income has always been a competitive advantage of Bank Vozrozhdenie's business model. It was a major factor in our resilient performance during the crisis, and today is a sound basis for post-crisis growth. In the reporting period, we continued to develop product lines that generate fee income both in the corporate and retail segments. Non-interest income accounted for 45% of operating income before provisions, one of the highest levels among Russian banks. In 2009, we entered into cooperation with the Green Corridor customs-payment system. In 2010, the Bank's revenue from the project grew by 150%, making us the market leader by payment volumes and confirming our ability to identify promising market segments.

The Bank's professionalism was noted by the banking community in Russia and abroad. Authoritative UK magazine *The Banker* named Bank Vozrozhdenie as Bank of the Year in Russia. For the third year running, leading analysts singled out the Bank as one of Russia's most influential financial institutions. Moreover, Bank Vozrozhdenie was

among 10 Russian banks named by independent international consultancy Brand Finance in its list of the world's 500 most valuable banking brands.

In 2011, the Bank will keep adhering to a conservative strategy based primarily on working with key client segments. We will adopt a pro-active approach to expanding our loan portfolio, and expect further profit growth if the cost of funding continues to fall, as we saw in 2010. The bottom line will, of course, largely depend on external factors and the speed of the country's economic recovery. However, we believe that in the next few years, the country should return to its normal pace of economic development, and the banking system to pre-crisis levels of efficiency.

In 2011, Bank Vozrozhdenie celebrates its 20th anniversary. During this time, we and our clients have experienced a huge variety of challenges, but every time we have found an effective solution. I would like to thank all of the Bank's employees for their professionalism and dedication, and also to express my gratitude to all of our clients for their trust and continued partnership. I am confident that long years of productive cooperation lie ahead.

Dmitry Orlov



# Strategy

Bank Vozrozhdenie's business development focuses on key areas of corporate and retail demand to ensure long-term growth of shareholder value.

The Bank's main priority is to offer a full range of banking services to both companies at all stages of their development and individuals at any point in their life. Bank Vozrozhdenie aims to constantly improve customer service, establish long-term client relationships and promote its brand. Our client policy aims to achieve a high level of client loyalty through brand positioning, an optimal product offering and high standards of service.

Key aims in the development of our client base are to increase the number of sales of different products to new and existing clients and proactively use the potential in the Bank's corporate client base to attract retail clients from their long-term employees with stable incomes. Special offerings may be produced for this segment. With an extensive line of modern banking services, the Bank focuses on proactive development of cross-selling and increasing non-interest income as a share of its revenue structure.

Bank Vozrozhdenie focuses on sustainable growth by developing our business and increasing our clients' prosperity. Their funds remain the

principal source for funding the Bank's operations.

Bank Vozrozhdenie operates in three key segments: retail, corporate and financial markets.

- **In the corporate segment**, Bank Vozrozhdenie targets long-term collaboration with clients by offering not just an individual service but an essential set of products. The bank plans to expand its client base by attracting customers from the SME sector, through individual work with major clients and by targeting clients whose offices overlap with the Bank's branch network. A key factor in our success is our complex approach to serving each individual client and its employees, improving quality of service, and our differentiated approach to different client segments.

A priority client segment is SMEs, and the Bank intends to increase their share of its loan portfolio. As well as actively seeking out new borrower companies, the Bank intends to develop its loan products by improving its existing credit products and launching new ones. In expanding its corporate funding base, Bank Vozrozhdenie will focus on working with resource-rich companies, as well as on attracting smaller deposits from major clients to diversify its deposit

book. Priorities in the corporate segments remain increasing the number of products used by each client, and also boosting clients' usage of the Bank's non-branch service offering.

Bank Vozrozhdenie plans to proactively develop its bank-card service infrastructure as the main means of attracting corporate clients for payroll projects. Here the main areas of focus will be to maintain the Bank's leading position in Moscow Region and to provide active support to the corporate segment at regional branches.

- **In the retail segment**, the main product offerings are deposits, consumer and mortgage lending, and payments and cash services for individuals. Bank Vozrozhdenie sees funds from individuals as a major source of funding for its operations, and generally as a stabilizing factor in the Bank's activities, including at times of market volatility. We intend to maintain our position as one of Russia's 15 largest banks by retail deposits. In a stable macroeconomic environment, the Bank's business plans will enable it to secure deposit growth above the market average. Individual deposits will comprise at least 40% of the Bank's balance sheet.

Bank Vozrozhdenie shapes its loan portfolio based primarily on quality and yield. It plans to run lending operations for the most part among existing clients with a proven credit or payments history, as well as among individuals working at its corporate clients. Mortgage lending remains the Bank's major credit segment. The accessibility of long-term sources of financing is the key to developing this business line further.

Another priority area for the Bank is cross-selling of retail products using bank cards and supporting increased

use of self-service facilities, which the Bank plans to gradually migrate to modern remote channels: internet and mobile banking.

- **Non-interest income** is an extremely important element in the Bank's revenue, particularly at times of interest-rate volatility. Growth rates of non-interest income in the retail business are directly correlated to loan volumes and payments and cash operations and should match their planned growth rates. In its financial-markets operations, Bank Vozrozhdenie intends to further diversify its securities book to support long-term liquidity at an adequate level, to reduce its levels of risk and increase asset yield. The Bank continues to develop instruments for reducing risks arising from financial-markets operations, including currency, interest-rate and market risk.

To support long-term growth across all business segments, Bank Vozrozhdenie plans to create an efficient infrastructure to meet key business goals. To increase the quality of service offered to clients, the Bank focuses on balanced development of its sales network through its offices and self-service facilities. We adhere to a strategy of gradual regional expansion, and plan to focus on regions where the Bank already has active branch offices. The number of sales points will be increased to meet market demand in each specific region and within the limits set by the Bank's business model. Further development of the Bank's sales infrastructure will focus for the most part on Moscow Region and neighboring areas, and on the Southern and North-West areas of the country.

The Bank sees IT as a major factor in maintaining its competitive advantages and increasing the quality of service offered to clients, as well as in

improving management by using the latest information and communications technologies. In 2011, the Bank's IT activities will focus predominantly on boosting the quality of our IT service offering, and also on developing and introducing internet and mobile banking.

The Bank's marketing strategy is intertwined with its key business goals. It aims to strengthen the Bank's competitiveness and increase customer loyalty and satisfaction by developing sales channels (including the branch network), by offering products that match client requirements more exactly than those of competitors, by ensuring high standards of customer service and by developing the Bank's brand.

We consider customer satisfaction and loyalty to be an objective measurement of the effectiveness of our marketing strategy. The Bank aims to be among the market leaders on these indicators among both corporate and individual clients.

The Bank's brand is an important asset. Our goal for the next five years is to establish ourselves among Russia's five leading banking brands in all key regions where the Bank is present. We will develop the Bank's brand based on the understanding that our most valuable asset is our client relationships. We work in genuine partnership with our customers, and our relationships are built on being responsive, humane and reliable. We are the Bank that can be relied on in both good and more difficult times. It is these relationships with our clients that differentiate us from other banks today and will continue to do so in future.

The Bank aims to promote its brand as a whole, rather than individual products, using all possible means of communication: television, radio,

outdoor advertising, print media, the internet and targeted communications.

In 2011, the Bank plans to make broad use of direct, targeted communications based on detailed client segmentation made using special software to analyze databases.

A particular emphasis is placed on quality of service.

Service-quality issues include measures in four areas:

- Approval of Service Standards for all employees involved in direct communication with clients; the Bank plans to improve the Service Standards as client demand requires
- Staff training
- Motivation of personnel
- Staff management based on adherence to the Service Standards and product knowledge through the use of regular "mystery shopper" research and customer-satisfaction surveys

Our public relations program is a priority area in our brand-development strategy. The Bank attaches great importance to providing timely, reliable and complete information to partners, customers and shareholders about the day-to-day life of the Bank, its goals and results. Transparency and openness of information form part of the Bank's development strategy.

Bank Vozrozhdenie's strategy includes ongoing corporate governance development in accordance with best international practice and the interests of shareholders. The bank intends to improve the efficiency of the Board of Directors, including by establishing new committees on strategy and corporate governance, launching

self-assessment procedures, and also by optimizing interaction with the Bank's executive management. We also intend to increase the role of the Board of Directors in our risk-management function by creating a risk committee, and improving the way in which we provide information to Board members in this area. We see further improvements to procedures aimed at avoiding conflicts of interests between all shareholders at the Bank as an important aim.

The Bank's risk management strategy targets further improvements to the risk-management system appropriate to the Bank's business goals and the quantity and extent of assumed risks. It is based on meeting the Bank's strategic goals as set out by the Board of Directors. High-quality risk management is a competitive advantage that improves the Bank's capitalization.

Bank Vozrozhdenie's HR policy targets the realization of each employee's potential. The Bank's priorities in this area include motivating employees to achieve key business goals, creating an effective internal-communications function, and developing employees' professional potential.

# Main Events of 2010

## Recognition of market participants/ strengthening of market positions

- In 2010, Bank Vozrozhdenie was named Bank of the Year by *The Banker* magazine. This prestigious professional award is given to leading banks from 140 countries each year.
- In the reporting period, ratings agency Standard & Poor's changed the outlook on Bank Vozrozhdenie's long-term counterparty credit rating to 'positive' from 'stable'. The international-scale rating was affirmed at 'B+' and the local-scale rating at 'ruA+' with a 'positive' outlook. The bank's short-term credit rating was affirmed at 'B'.
- Bank Vozrozhdenie was a prize-winner at the annual "Customs Olympus - 2010" awards in the category for "Best Financial Institution Offering Services in the Customs Field".
- Bank Vozrozhdenie received an award at the third annual public awards Financial Pearls of Russia 2010 in the category of "Financial Pearls of Russia 2010".

## Business development

- Bank Vozrozhdenie recorded net income for 2010 of RUB 581 million.
- The loan portfolio increased by 22.1% to RUB 104 billion.
- Deposit volumes increased by 14.6% to RUB 85.3 billion, while the share of retail deposits increased to 65.4%.
- In 2010, the Bank issued 250,000 new debit cards. In total, 1.4 million people have cards issued by the Bank. The number of Visa cards issued by the Bank reached 1.1 million.



# The Russian Economy and Banking Sector in 2010

The recovery, which began in the Russian economy in the second half of 2009, gained momentum last year. It was driven by the overall economic recovery worldwide, a revival on foreign markets accompanied by rising energy prices, and stronger domestic demand in Russia.

In 2010, Russia's GDP rose by 4%, industrial output by 8.2%, and fixed asset investments by 6%. The fastest growing sector was manufacturing, which expanded by 13.4%, while transport and telecommunications grew by 7% and mining by 4.8%. Agriculture showed consistently strong results up to the third quarter of 2010, when growth was undermined by the negative impact of the extremely hot and dry summer.

Economic growth boosted real disposable household income and improved the situation on the labor market, which had an effect on consumer sentiment through the year and helped to deliver better results in the Russian banking system.

Banking sector assets grew by 14.9% in 2010 to RUB 33,804.6 billion. The total net income of the sector was RUB 573.4 billion, compared with RUB 205.1 billion in 2009.

Individual deposits remained the principal source of banking sector

funding in 2010, and confidence of personal depositors rose during the year. The share of personal savings held as bank deposits and securities was 7.7% in 2010, compared with 4.5% in 2009. Deposits grew by 31.2% to RUB 9,818 billion. Excessive liquidity in the banking system led to a gradual reduction in interest rates on personal deposits in 2010, and rates offered by medium-sized and large privately owned banks almost matched those of state-owned banks.

The inflow of funds to banks from the corporate sector and state organizations also increased during the reporting period. Corporate deposits grew by 16% in 2010 to RUB 10,893.6 billion, and the amount of funds attracted by banks from the Finance Ministry and other state bodies grew by 1.7 times to RUB 464.3 billion. The increase in deposits enabled banks to fund banking operations themselves, and unsecured loans from the Central Bank to financial institutions had been fully repaid by November 2010.

While the growth of deposits fully resolved the liquidity problems of banks, lending markets continued to stagnate for part of the year. Banks were forced to seek more efficient ways of placing funds as credit risks remained high. The Central Bank encouraged demand for lending through its interest-rate

policy and measures to stimulate the lending market: the refinancing rate was reduced several times during the year, having reached 7.75% by the end of 2010.

Last year, banks resumed their lending programs, which had been scaled down or suspended during the crisis. State-owned banks capitalised on the price advantage that they enjoy as a result of cheaper funding, rapidly increasing their presence on lending markets. This led to much tougher competition for quality borrowers and a fall in interest rates on loans. Many banks softened their borrower requirements to boost lending.

The banking sector's total outstanding loans rose by 12.6% in 2010. Most of the growth was in the retail segment, where loan volumes increased by 14.3% to RUB 4,084.8 billion. Mortgage portfolios demonstrated the strongest performance, growing by 2.5 times to RUB 370 billion. The Bank's efforts to develop consumer lending and the credit card business in 2010 was contingent on the high returns that these segments offer while matching the maturities of most deposit products.

Outstanding loans to the corporate sector grew by 12.1% in 2010 to RUB 14,062.9 billion. Growth of corporate lending in 2010 was driven

by the small and medium-sized enterprise (SME) sector. The number of SMEs in Russia increased during 2010 following a decline in 2009, and loans to small business grew proportionately. Improvements in the economy also led to better lending terms for SMEs, including easing of requirements for borrowers and higher-quality service. Average loan amounts increased and interest rates on corporate loans fell from 20.5% to 16.2%.

Improvement of asset quality and reduction in the share of overdue debt (to 5.7% under RAS) were important drivers of the banks' loan portfolio growth. The share of overdue retail loans was 6.8%, in line with 2009, although the absolute amount of overdue retail debt grew in line with the whole portfolio. The volume of overdue corporate loans remained almost unchanged since 2009, and its share in total corporate loans fell from 6.1% to 5.3%.

Banks maintained their conservative provisioning policy in 2010, despite the improvement in asset quality. The share of loan loss provisions under RAS fell, from 11.3% to 10.5% of total loans issued by the bank system, and the NPL coverage ratio was 186%.

Lower margins from banking operations in 2010 stimulated banks' activity on

the securities market. The sector's securities portfolio grew by 35.3% to RUB 5,829 billion, rising from 14.6% to 17.2% of total assets. Banks paid greater attention to debt instruments in 2010, particularly Central Bank bonds, to maintain an adequate balance between risk and return. The share of bank investments in debt instruments grew by 30.8% during the year and reached 75% of their securities portfolio as of 1 January 2011.

Expectations for 2011

Expansion of loan portfolios will remain the key challenge for the banking system in 2011, and portfolio growth rates will equal those in 2010. The loan market will be driven by an increase in consumption and corporate sector activity.

Economic recovery and improving credit quality of borrowers will help to overcome the problem of NPLs and reduce credit risk. Overall conditions in the economy (inflation and the money supply) bode well for an increase in interest rates, though they are more likely to remain at the level seen at the start of the year due to a liquidity surplus. Deposit rates will continue to decline due to lower competition for funds, with a positive effect on the margins of those banks that are most dependent on deposits.

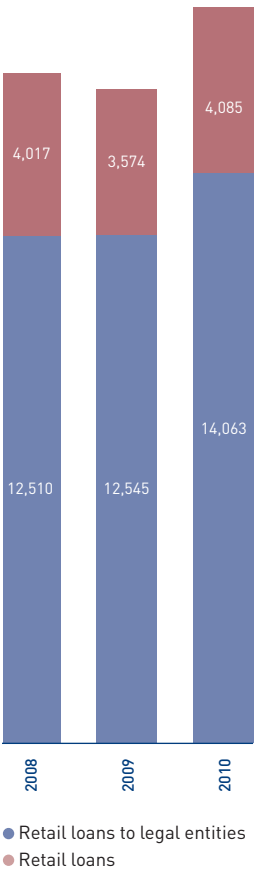
The profit of the banking sector in 2011 is expected to be close to the level seen in 2010, at RUB 500 billion.

Indicators for the Russian economy, %



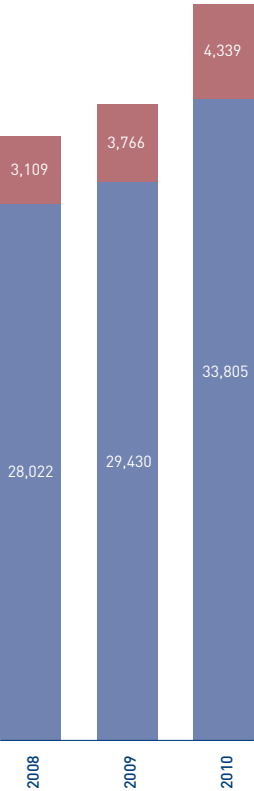
Source: State Statistics Service

Bank lending in Russia, RUB billion



Source: Central Bank

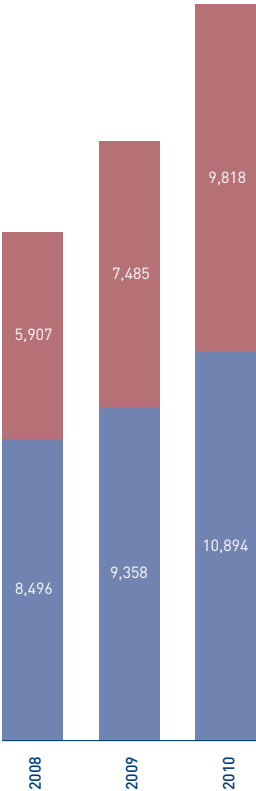
Indicators for the Russian banking system, RUB billion



● Assets  
● Capital

Source: Central Bank

Corporate and retail deposits, RUB billion



● Legal entities  
● Individuals

Source: Central Bank

# Business Overview

## Analysis of Financial Results

- Net income was RUB 581 million
- Assets grew by 14% to RUB 166 billion
- Operating income was RUB 8.0 billion
- Return on equity was 3.5%

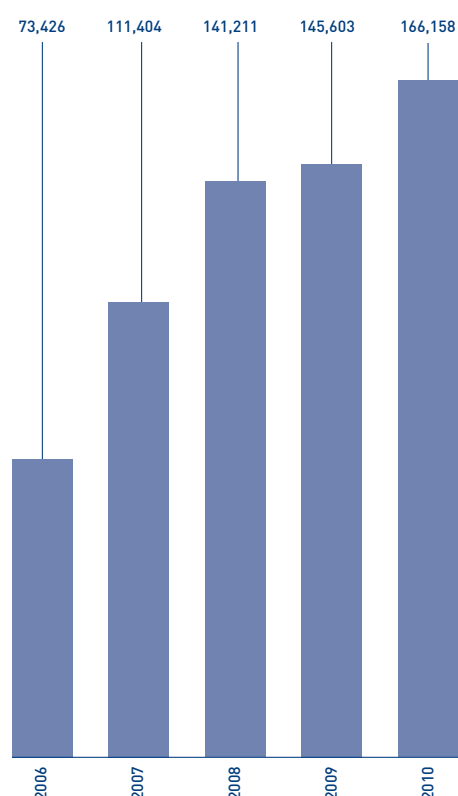
in favor of profit-earning assets: trading securities increased by 25% (RUB 2.4 billion) to RUB 12.2 billion, while cash and equivalents decreased by 6% (RUB 2.0 billion) to RUB 32 billion. Overall, the Bank managed to fulfill its financial plan for 2010, despite the instability of the economic recovery.

## Assets

Assets grew by 14% during 2010 to RUB 166 billion (US\$5.5 billion) thanks to an inflow of client funds (up RUB 17.2 billion). The Bank placed the funds raised in the loan portfolio, which increased by 22% (RUB 19 billion) to RUB 104 billion. The loan portfolio accounted for 63% of total assets at the end of 2010, up from 59% a year earlier. Most of the loan portfolio growth was in the fourth quarter (up 10% quarter-on-quarter), as the additional liquidity in the economy, stemming from a seasonal increase in federal budget spending, stimulated clients' credit activity.

Customer accounts remained the core source of funding, accounting for 87% of total liabilities, or RUB 130 billion, up 15% year-on-year. Current accounts (an almost cost-free source of funding) accounted for 35% of total customer funds. Due to rapid loan growth over 2010, the loan-to-deposit ratio rose by 4.76 percentage points to 88.4%. The structure of liquid assets changed

Assets, RUB million





Lyudmila Goncharova and Alexander Dolgoplov (center)  
Deputy Chairwoman and Deputy Chairman of the Management Board

# BANK VOZROZHDENIE BANK OF THE YEAR IN RUSSIA

*The Banker* magazine



BANK VOZROZHDENIE HAS BEEN NAMED  
BANK OF THE YEAR FOR ITS ADHERENCE  
TO ITS CONSERVATIVE BUSINESS STRATEGY  
AND ITS READINESS TO MEET THE  
CURRENT NEEDS OF CLIENTS BY OFFERING  
NEW CONVENIENT SERVICES.

**Angus Cushley**  
Publishing Director of *The Banker*



Equity

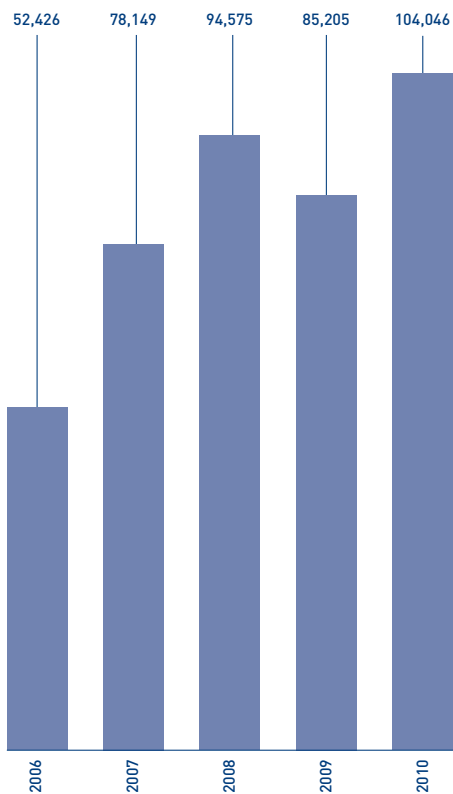
Equity increased by 3.5% to RUB 16.9 billion (US\$553 million). The Tier-1 capital adequacy ratio was 12.8%, while the total capital adequacy ratio was 15.2%, exceeding the regulatory guidelines for a credit institution. The decline from the previous year (CAR fell by 3.8 percentage points and Tier-1 by 2.7 percentage points) was a result of risk-weighted asset growth due to expansion of the loan book and securities portfolio.

Loan portfolio

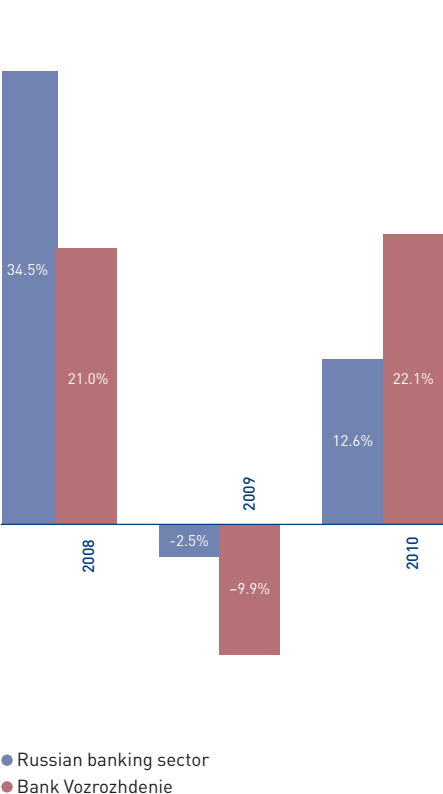
The loan portfolio before provisions grew by 22% year-on-year (RUB 20.6 billion). Although loan book growth was uneven over 2010, the Bank managed to expand its loan portfolio before provisions in the fourth quarter by 10% quarter-on-quarter on the back of greater liquidity in the economy. Net loan growth of 22% year-on-year was

substantially stronger than the 12.6% for the overall banking sector. Also noteworthy is that the bank managed to boost its market share in lending to clients in Moscow Region, its key area, where the loan portfolio swelled by 43% year-on-year, double the 20% sector growth for lending to entities and individuals there. This was mainly driven by corporate loans, which grew by 22% year-on-year, compared with 12.1% for the sector, according to the Central Bank. Corporate lending accounted for 85.6% of the total loan portfolio, with 52% of total loans being issued to small and medium-sized enterprises. The loan book remained diversified by economic sectors: the largest share of loans was granted to the trade and manufacturing sectors (24% each). The retail loan book grew by 18% year-on-year due to greater mortgage (24%) and consumer (26%) lending. By the year-end, mortgages accounted for 59% of total retail loans.

Loan portfolio, RUB million



Loan growth of Bank Vozrozhdenie and the Russian banking system



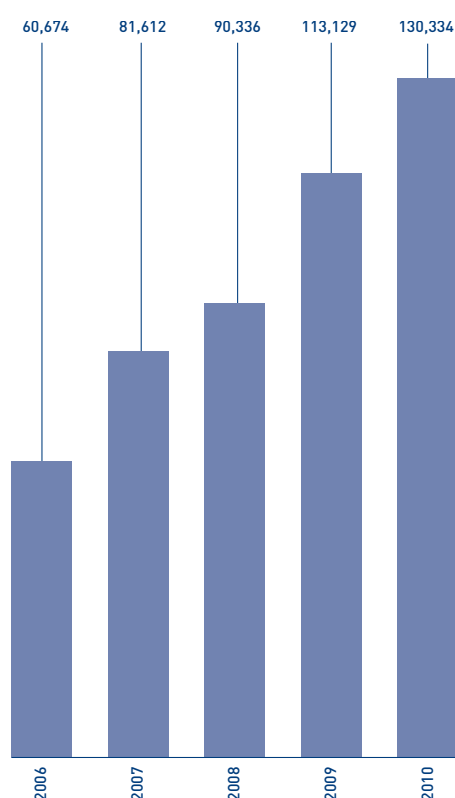
## Securities

The securities portfolio amounted to RUB 14.2 billion (US\$467 million), up 29% year-on-year. As a result of the market drop at the beginning of the second quarter, the Bank boosted its securities portfolio of the most reliable issuers with insignificant credit risk, having increased total securities to RUB 18.4 billion. Over the following quarters, the Bank steadily reduced its securities investments, partly selling securities acquired in the second quarter. By the year-end, the trade securities portfolio mainly consisted of investment-grade securities with a short duration. Most of them were fixed-income securities of Russian federal and regional government bodies and companies with quasi-sovereign risk. The breakdown of the securities portfolio at the year-end was as follows: 46.3% - federal and regional government bonds and Eurobonds, 32.3% - Central Bank bonds, and 18.3% - corporate bonds and Eurobonds.

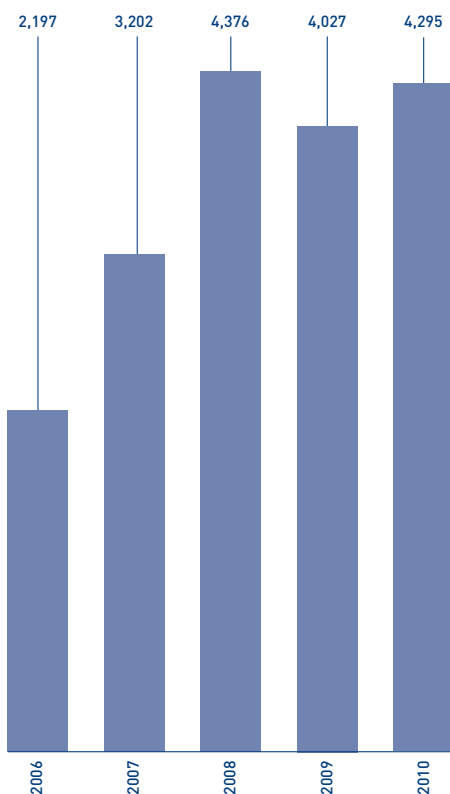
## NPLs

The NPL ratio increased by 0.6 percentage points over the year to 10.5% (RUB 12.1 billion). However, the Bank's NPL ratio was 11.1% in the first quarter. Under IFRS, the Bank applies a very conservative approach to the definition of NPLs, recording them as the whole principal of a loan more than one day overdue either on principal or interest. Impaired loans, on which some losses are possible, accounted for 9.8% of the total loan portfolio. Total NPLs are almost totally covered by provisions for loan losses, which amounted to RUB 11.2 billion by the year-end. The total coverage ratio was 93%, while for loans overdue by more than 30 days it was 130% and for those overdue by more than 90 days it was 132%. Total charges to provisions over the year (cost of risk) accounted for 1.8% of the average loan book, or RUB 1.9 billion.

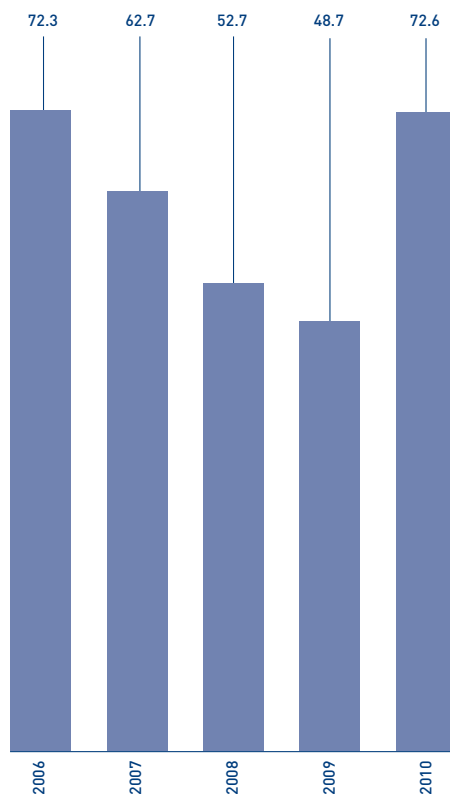
Client funds, RUB million



Commission income, RUB million



Cost-to-income ratio, %



### Net interest income

Net interest income declined by 34% year-on-year and amounted to RUB 5.5 billion. Interest income was affected by a drop in yields for loans coupled with greater competition on the back of lending stagnation for most of 2010. Amid a sharp plunge in lending rates, the Bank's efforts were focused on reducing funding cost, which was trimmed by 1 percentage point to 6.1% by the year-end, in comparison with 7.1% a year earlier. Thus, due to a steady expiration of the most expensive deposits during the fourth quarter, the cost of funding came down by 0.8 percentage points, from 6% in the third quarter to 5.2% at the end of the fourth quarter. As a result, the net effect on the NIM was positive. It rose from 3.3% in the third quarter to 3.5% in the fourth quarter and accounted for 3.6% of total average assets by the year-end. The interest spread also expanded,

from 5.6% in the third quarter to 5.8% in the fourth quarter, and stood at 6.3% for the full year.

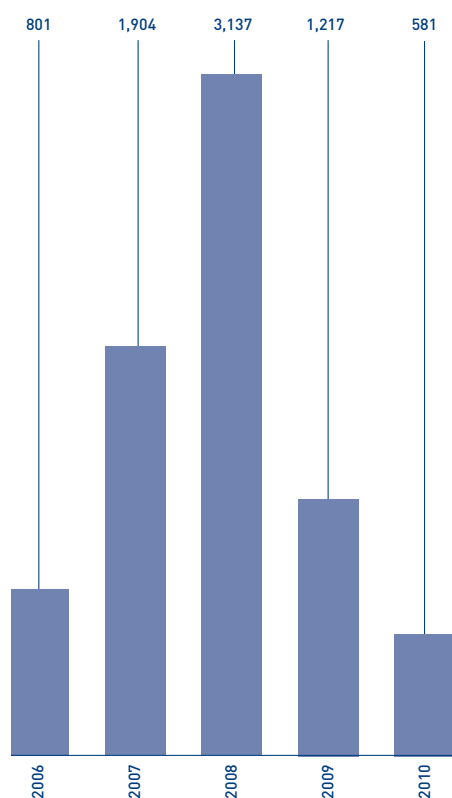
### Non-interest income

Net commission income grew steadily in 2010 and totaled RUB 3.9 billion, up 5.5% year-on-year, thanks to an increase in fees and commissions from settlements of 13.6% and transactions with bank cards of 17.8%. Net fee income accounted for 89% of total non-interest income. The share of non-interest income was 45% of total operating income, remaining one of the highest among Russian banks, as in previous years.

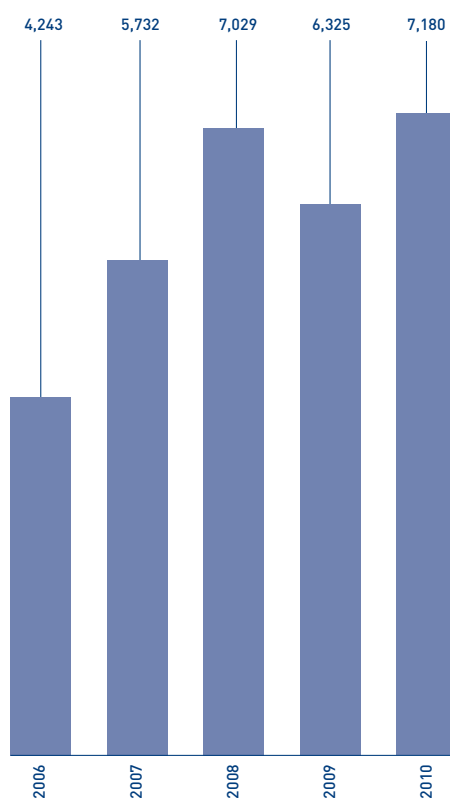
### Operating costs

Operating costs grew by 14% year-on-year to RUB 7.2 billion. A seasonal increase in personnel expenses in the fourth quarter, due to payment of annual bonuses, caused payroll

Net income, RUB million



Operating costs, RUB million



expenses to rise by 15.2%, and the share of personnel expenses in total costs was 56%, up from 54% in 2009. The Bank took steps to prevent administrative expenses rising, as a result of which they fell by 1.3%. The total cost-to-income ratio (before provisions) was 72.5%.

### Income

Net income grew consistently in each successive quarter of 2010, and the Bank finished the year with net income of RUB 581 million. The effective tax rate in 2010 was 20%.

## Corporate Business

2010 was a year of steady recovery for Bank Vozrozhdenie's corporate business. The stabilization of the banking sector led to increased corporate lending and greater competition. However, growth in the segment remained constrained by the slow pace of economic recovery and associated high credit risks. Moreover, in 2010, banks had to deal with rapidly contracting interest margins, which was reflected in their year-end profitability indicators.

Thanks to its conservative policies in previous years and trust-based relationships with clients, Bank Vozrozhdenie created a reserve fund and continued to expand its corporate business actively last year, despite increased competition from state-owned banks. As a result, key performance indicators in the corporate segment were higher across the board.

Key developments for Bank Vozrozhdenie's corporate business in 2010 were:

- Increase in the customer base
- Stable revenues in a low-margin environment
- Growth of non-interest income and development of fee-generating products
- Expansion of the loan portfolio through more work with reliable borrowers
- Monitoring of the loan portfolio quality and dealing with NPLs and restructured debt

The number of Bank Vozrozhdenie's corporate clients grew by 11% last year. Key factors in attracting new clients are the Bank's individual approach to each customer, partnership relations in achieving their financial goals and a broad range of high-

tech banking products to meet client demands. The Bank's new clients include industrial companies and trade outlets in Moscow Region and other areas where the Bank has a presence. The number of SME clients – a key client segment for Bank Vozrozhdenie – grew by 16% in 2010. Reliability and high levels of trust were evidenced by the Bank's expanded cooperation with federal bodies, regional administrations and municipalities, as well as numerous major companies and state bodies.

### Corporate client funds

Client funds form the basis for Bank Vozrozhdenie's corporate lending. The Bank therefore places great emphasis on both diversifying its depositor base and optimizing its value.

In 2010, the Bank continued to attract funds from major companies and state bodies, including the Agency for Housing Mortgage Lending, the St Petersburg Finance Committee, ROSNANO and the Communal Services Reform Assistance Fund. The Bank has continued to expand its work with regional administrations where it is present. A new area for the Bank in 2010 was securing inflows of targeted funding as part of cooperation with various SME support funds.

In 2010, RUB 21 billion was placed in term deposits with Bank Vozrozhdenie, of which RUB 4.8 billion came from ROSNANO and RUB 4 billion from the Agency for Housing Mortgage Lending.

### Corporate lending

Bank Vozrozhdenie's major corporate lending goals in 2010 were to maintain a competitive market position, expand the loan portfolio while maintaining credit quality, and keep an appropriate balance between the growth rate of the loan portfolio, profitability and credit risks. The primary goal was to retain existing borrowers and gain new and reliable clients. Particular attention was directed at reducing NPLs, and at monitoring and diversifying credit risks.



Irina Semenova  
Head of the Corporate Business Department

## GREEN CORRIDOR CARD



IN THE «CUSTOMS OLYMPUS - 2010» AWARDS,  
BANK VOZROZHDENIE WON THE CATEGORY  
«BEST FINANCIAL INSTITUTION OFFERING  
SERVICES IN THE CUSTOMS FIELD».



Excess liquidity in the banking sector led to greater competition between banks in the corporate sector and a rapid reduction of 4.85 percentage points in interest rates on loans to clients. An important factor affecting interest rates was the Central Bank's monetary policy, which saw a series of cuts to bring refinancing rates down to 7.75%. The Bank's borrowing requirements did not change significantly. However, to support its competitive position in the financial-services market, and also to retain and expand its client base, the Bank slightly relaxed its terms for granting loans.

All in all, Bank Vozrozhdenie's corporate loan portfolio expanded by 22% to RUB 98.6 billion in 2010. Loans to SMEs accounted for 60.7% of the overall figure and during the period the Bank granted a total of RUB 94.3 billion to the segment. The Bank is ranked third by Expert RA and fourth by RBC Rating in terms of loans to SMEs. The most important factor in growth of loans to SMEs was Bank Vozrozhdenie's involvement in various programs to support and develop the SME sector.

Under an agreement signed in November 2009 with the EBRD, Bank Vozrozhdenie obtained five-year funding totaling US\$51 million to support lending to micro-businesses and SMEs. At the end of 2010, the total number of borrowers under this program stood at 239, while 116 new borrowers obtained loans. In October 2010, the EBRD granted the second tranche of a credit line to support lending to micro-businesses, worth US\$10.6 million, and US\$15 million for on-lending to small businesses.

Moreover, on 30 November 2010, Bank Vozrozhdenie joined the state Financial Support Program for SMEs run through the Russian Bank of Development by the Economic Development Ministry and Vnesheconombank. Under the program, the Bank was granted a five-year loan of RUB 3 billion for on-lending to SMEs

by 31 May 2011. The first borrowers received loans under the program in December, within regionally defined limits.

As part of its efforts to offer reasonable credit terms to borrowers, Bank Vozrozhdenie has expanded cooperation with state programs to support lending to SMEs in regions where it is present. In addition to existing agreements with funds in Moscow and Stavropol, Rostov and Volgograd regions, the Bank signed agreements with the SME Support Funds of Moscow, Murmansk and Magadan regions last year. Lending guarantees to SMEs thus almost doubled for the period.

To extend its relationships with highly reliable borrowers, Bank Vozrozhdenie continued expanding cooperation with national and local government bodies last year. Total funding volumes exceeded RUB 9.7 billion, while the total outstanding debt of executive state bodies to the Bank as of 1 January 2011 stood at RUB 7.6 billion. Lending to state-owned enterprises in the reporting period exceeded RUB 3.5 billion.

Moreover, to comply with national legislation, the Bank expanded its operations on banking guarantees securing contract liabilities. In 2010, Bank Vozrozhdenie provided guarantees of more than RUB 14.4 billion to Mostransavto, Moscow Regional Roads Center, the Moscow Regional Transport Ministry and other organizations.

As corporate loan volumes grew, Bank Vozrozhdenie maintained a decent diversification of economic sectors and lending maturities. As of January 2011, loans with maturities of more than one year comprised 43.8% of the portfolio, while shorter-term lending with terms of six months to one year accounted for 30.9%. This was largely due to cooperation between Bank Vozrozhdenie and the EBRD under the SME lending program. In terms

of sectors, the Bank's lending is concentrated mainly on highly reliable borrowers in the industrial, trade and communications sectors. At the end of the fiscal year, lending to these sectors represented 63.1% of the Bank's corporate lending portfolio.

In 2010, the quality of Bank Vozrozhdenie's loan portfolio improved. As of 1 January 2011, the share of corporate overdue loans had fallen by 0.3 percentage points from a year earlier, to 8.16%.

As lending volumes increased, the Bank increased loan-loss provisions by RUB 1.706 billion. The weight of provisions in the loan portfolio, meanwhile, remained almost unchanged. Including provisions on uncollectible loans, the Bank's loan-loss reserves totaled 10.27% of the corporate loan portfolio at 1 January 2011.

#### **Leasing and factoring**

As lending gradually resumed in 2010, Bank Vozrozhdenie recovered leasing volumes through its subsidiary V-REGISTR. Compared with 2009, when the company signed just 26 leasing agreements amounting to RUB 85.4 million, in 2010 contract numbers totaled 188 with a total value of RUB 1,239.7 million. As of 1 January 2011, the company's leasing portfolio stood at RUB 1,847.3 million, and its credit portfolio at RUB 573 million.

In 2010, Bank Vozrozhdenie continued to expand its factoring operations. The Bank was able to boost demand for its factoring services by offering each client an individual choice in a wide range of financing schemes, and thanks to its ability to react to lower market rates for such services. In 2010, many of the Bank's clients – primarily SMEs – used factoring as a way of obtaining short-term financing for working-capital facilities. As a result, the Bank's client base for factoring tripled in size,

while factoring receivables rose by a factor of five.

#### **Trade finance**

In the reporting period, the Bank actively increased financing volumes for its clients' import contracts, after the reduction during the crisis. The focus was on deals to modernise and retool production capacity at companies in the metals, forestry, food processing and consumer sectors. The Bank also continued to roll out a financing program for deals to enable official dealers in Russia to purchase agricultural technology and equipment from US company John Deere.

Thanks to our active promotion of trade-finance products amid rising overall foreign-trade volumes, the Bank more than tripled its loan portfolio under trade contracts to US\$110 million.

#### **Green Corridor payment cards**

The Bank has been issuing Green Corridor customs payment cards since early 2009 and is one of the market leaders by volume of operations and client numbers. The Green Corridor card is the cutting-edge way of paying customs charges, and is rapidly gaining popularity among Russian and foreign companies.

Since the Bank entered into the scheme, 365 companies have become customers. In 2010, Aeroflot, Metro Cash And Carry, SIMPL and the Mytishchi Mechanic Factory all joined the list. Payment volumes on Bank Vozrozhdenie's Green Corridor cards increased by 2.5 times in 2010, exceeding RUB 49 billion. The number of client transactions increased by five times. At the end of the year, Bank Vozrozhdenie won the "Customs Olympus - 2010" awards in the category for "Best Financial Institution Offering Services in the Customs Field", partly as a result of its active involvement in the Green Corridor project.

Cooperation with insurance companies

In 2010, the Bank’s cooperation with its insurance partners continued to increase. Non-interest income from the Bank’s services to insurers totaled more than RUB 26 million, up 44% year-on-year, while commission income received under service agreements with accredited insurers came to more than RUB 18.5 million, up 54% year-on-year. As of the year-end, insurance companies had allocated RUB 1.5 billion of funds with the Bank.

Remote services

A priority for the Bank’s customer services last year was the development of remote services, including the standard Client-Bank remote-banking service, as well as the Corporate Control, Corporate Settlements Center and Secure Email services.

To improve quality and convenience for clients, and also to reduce

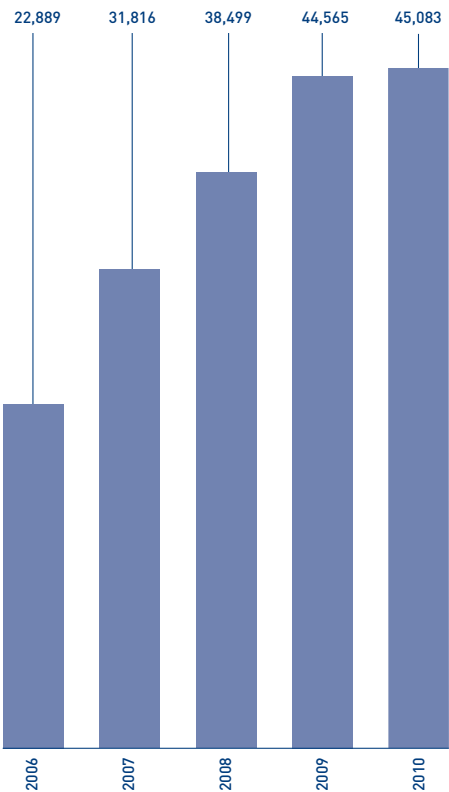
costs, the Bank has pro-actively introduced remote client services. In 2010, the share of clients using Bank Vozrozhdenie’s remote services increased from 32% to 40%, while the share of payments increased from 50% to 69%, to a monthly average of 700,000 transactions.

Priorities for corporate business development

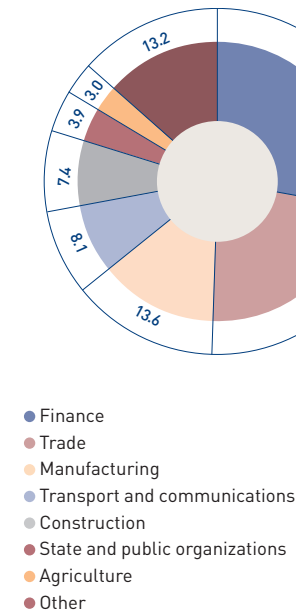
Increasing client loyalty and expanding the client base are key priorities for Bank Vozrozhdenie in its corporate business development. In 2011, the Bank plans to develop remote banking services and boost the attractiveness of cash-management services, focusing on quality of service and optimization of tariff policy.

An important goal will be to expand the loan portfolio, predominantly in the SME segment. With the cost of attracting resources remaining high and a relatively low cost of credit, Bank Vozrozhdenie will continue to improve its operational efficiency to maintain and increase margins. Maintaining the high quality of its loan portfolio will be one of the Bank’s most important goals.

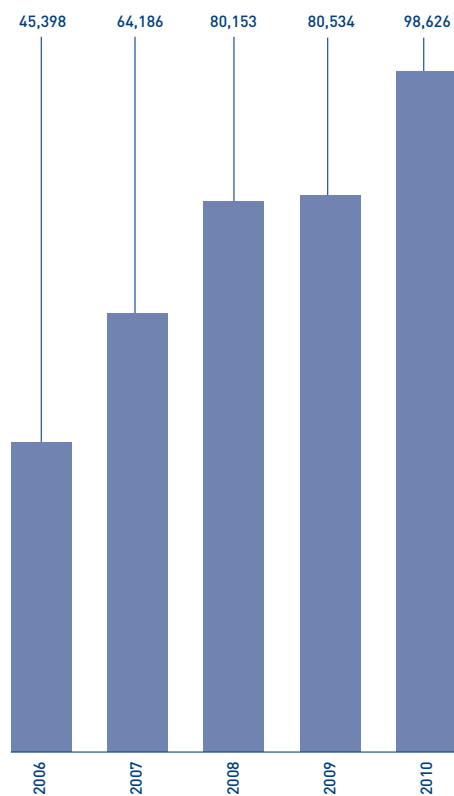
Corporate client funds, RUB million



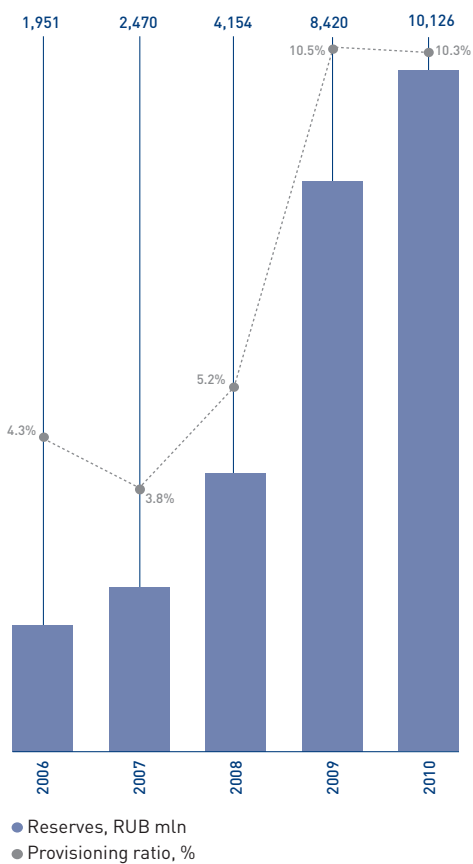
Corporate client funds by sector, %



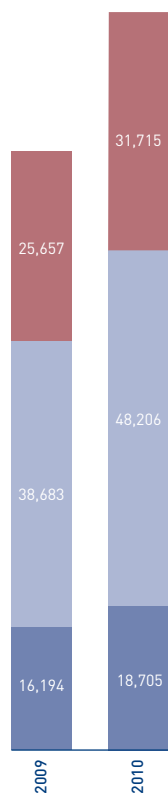
Corporate loan portfolio, RUB million



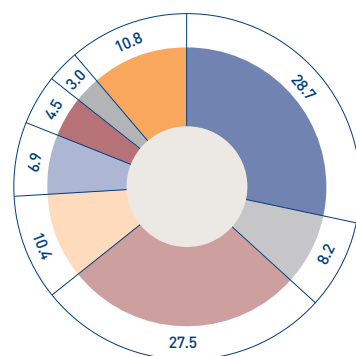
Corporate loan-book quality



Portfolio structure by size of loan



Sector structure of the corporate loan portfolio, 2010, %



## Retail Business

The retail segment continued its recovery in 2010, the first signs of which appeared in the second half of 2009. As deposit volumes increased from spring 2010, banks began to increase retail lending under various programs. In the reporting period, the market policy of commercial banks depended largely on the activity of state-owned banks, which enjoyed cheap funding and had expanded their business during the worst of the crisis.

Bank Vozrozhdenie has traditionally focused in the retail segment on deposit inflows. Last year, the Bank also actively boosted retail lending volumes, which had shrunk during the previous period of volatility. By the end of 2010, the Bank had managed to exceed its pre-crisis levels of mortgage lending.

As of 1 January 2011, the total number of retail clients had reached 1,546,000.

Bank Vozrozhdenie's main goals in the retail segment in 2010 were:

- Attract deposit inflows, focusing on long-term deposits
- Expand the loan book proactively
- Raise the quality of the loan portfolio by reducing levels of NPLs and problem loans
- Develop cross-selling

### Deposits

In 2010, Bank Vozrozhdenie's retail deposit portfolio grew by RUB 14.2 billion, a record. The portfolio's total volume rose by 26.1% over the year, and has increased by a factor of 2.3 since the start of 2007. The high inflow of deposits was largely caused by shifting consumer confidence, from a period of heavy spending to a phase of savings in 2009-10. Since the start of 2010, Bank

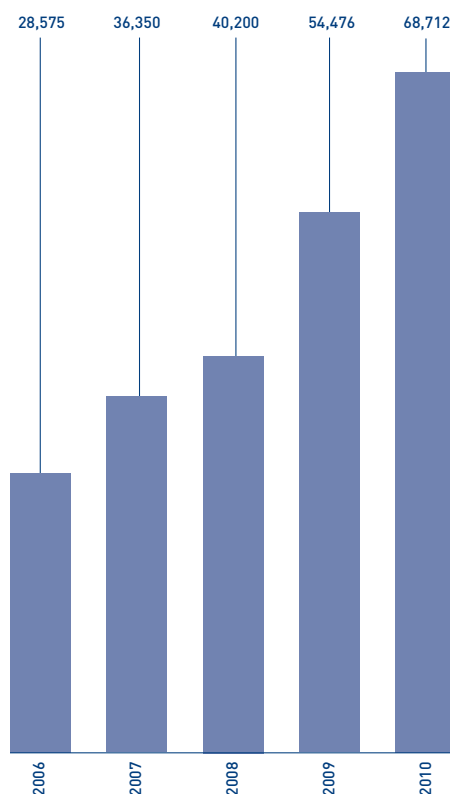
Vozrozhdenie's depositor numbers have grown by 4% to reach 316,000.

At the end of 2010, Bank Vozrozhdenie was Russia's 13th largest bank by retail deposits.

Bank Vozrozhdenie is a full-service bank with a wide range of clearly explained deposit products. Most popular among consumers in 2010 were "seasonal" deposits, which grew by RUB 9.8 billion and accounted for some 70% of the total increase in deposit volumes.

As part of efforts to increase the share of long-term deposits, extended terms were introduced for the most popular seasonal deposit accounts in 2010. As a result, the share of long-term deposits in Bank Vozrozhdenie's deposit book rose by 8.6% to 59.7% by the year-

Individual deposits, RUB million





Mark Nakhmanovich  
Deputy Chairman of the Management Board

# 1,100,000 BANK CARDS



“BANK VOZROZHDENIE IS ONE OF VISA’S KEY PARTNERS ON THE RUSSIAN MARKET. IT PLAYS A PARTICULARLY IMPORTANT ROLE IN DEVELOPING THE BANK CARD BUSINESS IN THE REGIONS.”

**Andrei Vylegzhanin**  
Head of Visa’s Business Development  
Department in Russia



end. The Bank also introduced special conditions with higher interest rates on term deposits for pensioners.

The Bank adjusted interest rates on deposits more than once during the year based on the market situation. During the reporting period, the highest interest rate was reduced from an annual 12.75% to 8.0% in roubles, and from 6.5% to 5.25% in foreign currency. As deposit yields declined, Bank Vozrozhdenie focused on offering high-quality service and expanding its range of additional services to clients through regular payment of deposit funds, complimentary debit cards, and discounts on credit cards, etc.

### Lending

In 2010 Bank Vozrozhdenie expanded its retail lending operations. During the year, the retail loan portfolio, including credit cards, grew by 18% to RUB 16.6 billion. Problem loans as a proportion of the loan book declined from 6.1% to 4.8%\* in 2010 due to continual monitoring of the quality of the loan book and effective identification of non-performing loans at an early stage.

### Mortgages

The growth of the retail portfolio was driven mainly by a significant increase in mortgage lending volumes. Last year, the Bank not only returned to pre-crisis growth rates, but expanded its mortgage portfolio to more than RUB 10 billion for the first time, allocating RUB 4.2 billion in mortgage loans.

To boost volumes of mortgage loans, Bank Vozrozhdenie reviewed limits on its target client segment, which it expanded to include new clients with a confirmed stable income, investments at major banks and no previous negative credit history. Alongside a reduction in market interest rates, mortgage-lending conditions were relaxed. The minimum initial deposit was reduced to 20%, while graduated interest rates

depending on the form of proof of income provided were suspended.

The Bank was one of the first to actively re-launch mortgage lending in the primary market, and signed agreements with several major construction companies. As a result, issuance volumes in the primary market accounted for 40% of the total loans granted. In lending for apartments in new developments, the Bank works only with construction companies with a proven track record, and only with development projects that are 70% or more complete.

In 2010, the Bank developed partnership programs with realtors, construction companies and corporate clients. More than 50% of loans were made under such programs. In 2010, Bank Vozrozhdenie ran mortgage programs for RKK Energy, Teplo RKK, Mosvodokanal, Mostransavto and Afina, and also as part of the “Mortgage and Housing for Young Professionals” program in Nizhny Novgorod.

Meanwhile, as part of its collaboration with the Agency for Housing Mortgage Lending, the Bank launched a variable-rate product linked to the Central Bank’s refinancing rate. In 2010, Bank Vozrozhdenie was one of the first Russian banks that received funding from the Agency for Housing Mortgage Lending under the program of floating-rate financing. It totaled RUB 63 million and has a term of 30 years, in line with the maximum maturity of the mortgage loans in the refinanced portfolio.

### Consumer lending

In consumer lending, the Bank continued to focus on more creditworthy borrowers last year, particularly managers and employees at the Bank’s corporate clients. Nevertheless, as part of its program to increase retail lending volumes, the Bank expanded the list of potential borrowers including

\* Here and below, problem loans are defined as more than 30 days overdue, including the full value of the loan

settlements and deposit clients, participants in corporate programs, clients of partner companies and people on payroll projects with other banks. Moreover, the Bank developed a program of collaboration with corporate clients to extend loans to employees at preferential rates.

During 2010, the Bank gradually increased the attractiveness of its consumer- and car-lending programs. Interest rates were reduced, arrangement and management fees were canceled, the ban on preterm repayment was abandoned, the maximum repayment term was extended and the lending ceiling was lifted on some products.

Thanks to these measures, Bank Vozrozhdenie expanded its consumer lending portfolio by 34% last year, from RUB 3.5 billion to RUB 4.7 billion.

#### **Fee-generating products**

Increasing fee income is a priority for Bank Vozrozhdenie's retail business. Fee-generating products provide the Bank with a stable source of revenues. In 2010, the number of retail payments and transfers totaled 16.5 million, generating total revenue of RUB 330 million, up 5% year-on-year. At the end of 2010, payment volumes had exceeded pre-crisis levels.

In 2010, the Bank began rolling out its own network of payment terminals to make cash payments easier and more accessible. By the end of the year, individuals had made more than 16,000 payments through Bank Vozrozhdenie's terminals. Major partners that received payments from individuals in 2010 included Mosoblgaz, Southern Telecom, Comstar, Rusfinance Bank and a number of key institutions in regions where the Bank has a presence, including the federal Land Registry, the federal Technical Inventory Bureau and local communal-services organizations and educational institutions.

Alongside the development of cash payments and transfers, the Bank has actively expanded its service for regular non-cash automated payments. In 2010, the number of clients using the service grew by 36% to 15,800.

As a whole, settlements are firmly established as the most widespread and in-demand services among individuals.

#### **Cross-selling**

As competition among banks increased in 2010, greater use of cross-selling became a priority for Bank Vozrozhdenie's retail operations. During the reporting period, the Bank's aim of targeting specific clients was reflected in the products offered to clients and the means of communication used to reach out to them. The most important factor in increasing cross-selling was personalised retail programs for major corporate clients and the resumption of partnership programs with major construction and real-estate companies.

The Bank has made active use of text messages and telephone calls to inform clients about changes to the terms and conditions of deposits and loans, as well as about new product launches, the imminent expiry of deposit terms, changes to branch opening hours, etc. Some RUB 920 million of loans were advanced as a result of text messages and telephone calls.

At the end of 2010, Bank Vozrozhdenie's level of active cross-selling of retail products had reached 53.27%.

#### **Retail banking development priorities**

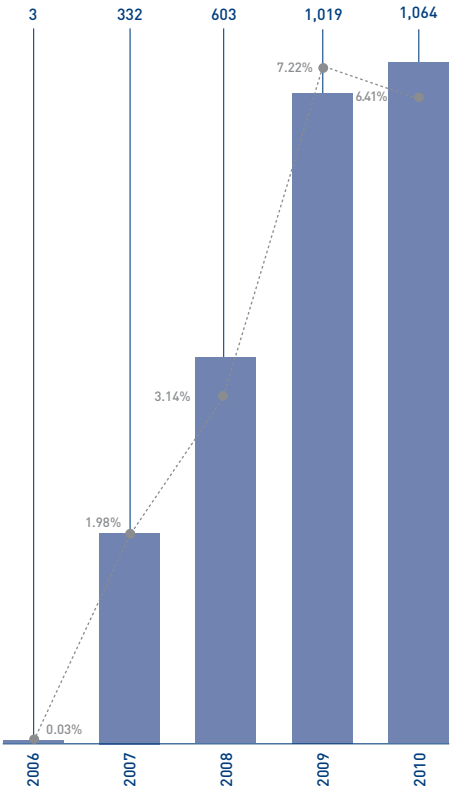
In 2011, Bank Vozrozhdenie plans to maintain the growth rates of its retail business by using innovative methods alongside those that have already proved their worth. Term deposits are planned to increase to RUB 78 billion.

Bank Vozrozhdenie's lending priorities remain proactively expanding the loan

portfolio while maintaining its high quality. The Bank plans to boost its mortgage portfolio to RUB 15 billion, including by increasing lending during the construction stage, and also to almost double consumer and car lending. Key factors in the growth of the credit portfolio will be to broaden the range of mortgage programs, further develop cross-selling opportunities, and conclude agreements with corporate clients and construction companies.

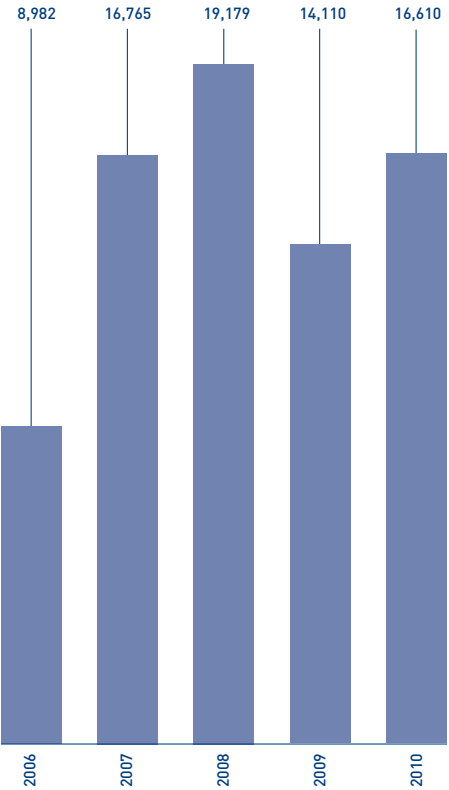
In 2011, Bank Vozrozhdenie will continue to introduce cutting-edge software and will unify business processes in its retail-lending operations using a single CRM system.

Quality of the retail loan portfolio



● Provisions RUB mln  
● Provisioning ratio %

Retail loan portfolio, RUB million





Svetlana Bychkova

Head of the Deposit Products Division, part of the Retail Business Department

## FINANCIAL PEARL OF RUSSIA – 2010



**BANK VOZROZHDENIE  
WON THE THIRD ANNUAL SOCIAL  
COMPETITION “FINANCIAL PEARL  
OF RUSSIA – 2010 (BEST RETAIL  
FINANCIAL SERVICES)”.**

## Bank Cards

The bank-cards market underwent structural changes in 2010, as the position of state-owned banks strengthened. In this context, Bank Vozrozhdenie's priority goals were to retain its client base and to implement a strategy of active cross-selling of banking products and incentivizing clients to make more active use of cards.

During the reporting period, the Bank focused its business-development efforts in the bank-cards business on increasing the number of customers on payroll projects. The use of payroll projects to attract clients and subsequently create cross-selling opportunities across all of the Bank's products and service lines has proven its value as a strategy. In mid-2010, the

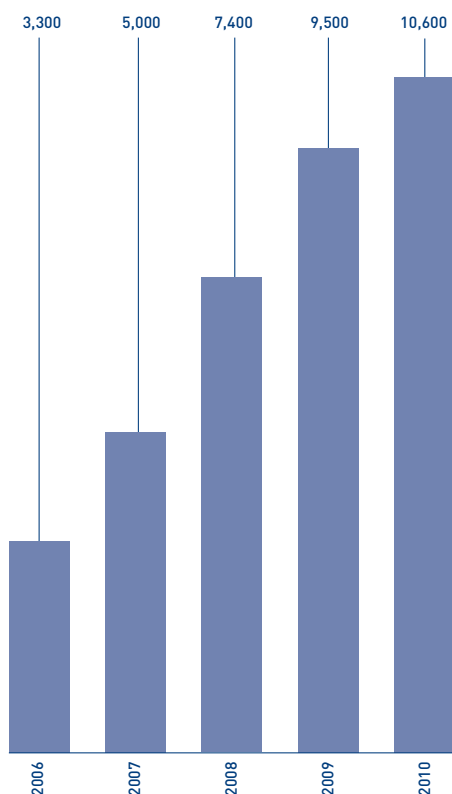
10,000 mark was reached, and by the end of the year, the number of payroll projects totaled some 10,600. The Bank issued almost 250,000 new debit cards, increasing the overall number of cards in circulation to 1,392 million and strengthening its position in this respect\*. The volume of operations using the Bank's cards grew by 28% to RUB 199 billion.

Retention of the client base laid the foundations for the Bank to increase cross-selling of banking products during the year, which was a defining factor in revenue growth amid increasing competition among banks and a sector-wide narrowing of bank margins.

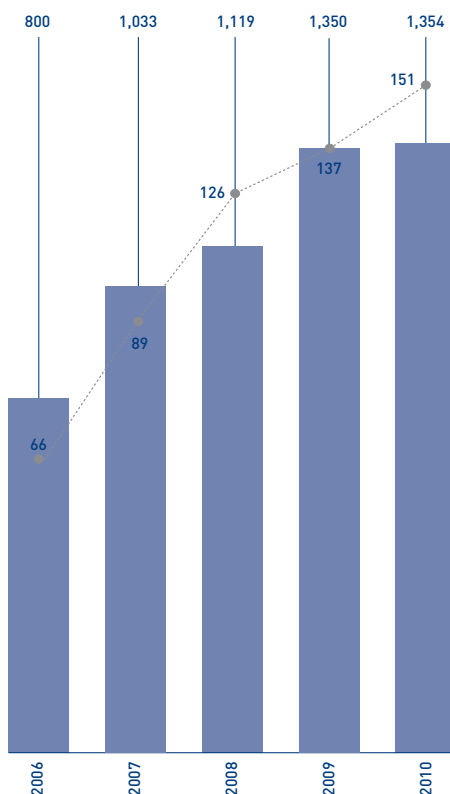
The main area for cross-selling in the bank-cards segment was offering remote services accessible using

\* Source: RBC Rating, based on preliminary figures for 2010 from analytical agencies.

Number of payroll projects



Bank cards



● Active card accounts, '000s

● Credit turnover on card amounts, RUB billion

Bank Vozrozhdenie's cards. In total, the number of clients using the "Your Account 24/7" service (internet and text-message information) increased by a factor of 2.6, exceeding 475,000 by the end of 2010, while credit-card issuance volumes reached 37,000. The number of clients depositing funds into the ATM deposit account rose during the year, and the average account size grew to RUB 136,000. This growth was largely driven by a targeted approach to clients.

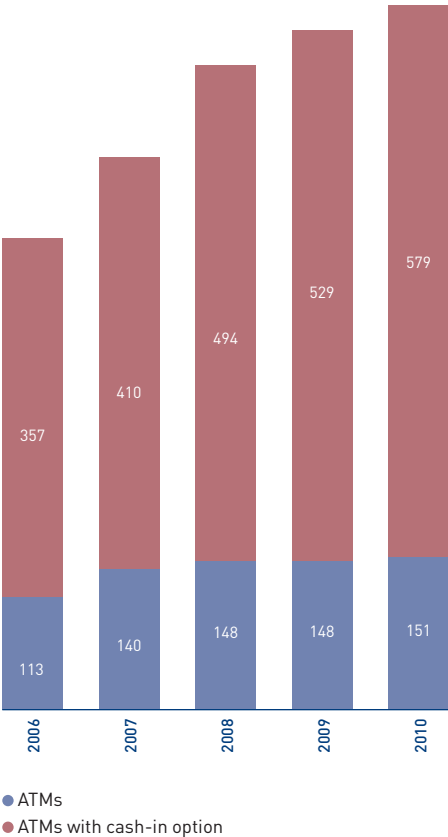
A priority goal for Bank Vozrozhdenie is to expand the range of services available through cards. The Bank's ATMs can be used to pay cell-phone and communal-services bills, as well as to pay off loans, make transfers and carry out other operations. In 2010, the list of organizations that received payments through Bank Vozrozhdenie's

ATMs included the Moscow Unified Information and Settlements Center, Mosoblgaz, internet services provider Domolink and cellular operator Just For Communication.

In response to greater demand for non-cash payment for goods and point-of-sale services, the Bank sought to expand its presence among trading and services companies in 2010. Agreements for accepting and servicing bank cards were signed with 500 new trade outlets, expanding the Bank's total sales-point network by 25% to 2,455. During the year, operations using Bank Vozrozhdenie cards at trade outlets climbed by 46.8% to more than RUB 5.8 billion in absolute terms.

Thanks to the measures taken in 2010, fees from bank-card operations increased to 25% of the Bank's total non-interest income.

Number of ATMs



In 2010, Bank Vozrozhdenie continued to expand its ATM network. Here the Bank adopts an approach of following its clients, rather than setting fixed targets to cover as large an area as possible. This approach maximises the efficiency of the ATM network; at the end of 2010, each of the Bank's ATMs had served 1,800 people. The total number of ATMs, including cash-in ATMs, reached 730 at the end of the year, including 431 in Moscow Region.

In 2011, the Bank's main priorities in the bank-cards segment will continue to be further increasing client numbers and actively cross-selling credit cards and self-service operations through remote channels.



## Operations on Financial Markets

There was further recovery on financial markets in Russia and globally during 2010. However, currency rates, stock indexes and prices for exchange-traded commodities experienced high levels of volatility as post-crisis instability persisted.

The main driver of the Russian financial market in the reporting period was the high level of banking sector liquidity caused by high lending risks, less concerns over rouble devaluation, and slower inflation. The Central Bank therefore focused mainly on an efficient interest rate policy, greater flexibility in the rouble exchange rate, and measures to stimulate lending by the banking sector. Russian financial markets had a good year in 2010, despite some periods of instability, thanks to strong support from global indexes and energy prices.

The priority for Bank Vozrozhdenie in its financial market business during 2010 was diversification of the securities portfolio to support a high level of liquidity, reduce levels of risk and raise asset yields. To achieve these aims, the Bank focused particularly on operations with debt instruments and on the interbank market.

Bank Vozrozhdenie's operations with securities totaled RUB 42 billion in 2010. Transactions were carried out on exchanges (MICEX and the MICEX Stock Exchange) and on the over-the-counter market. The average size of the Bank's securities portfolio during the year was RUB 15 billion.

The greater part of debt security transactions by the Bank were with Central Bank bonds, Russian Eurobonds, and high-quality municipal and corporate Eurobonds, offering an optimal combination of yield with reliability and liquidity. The Bank also bought corporate bonds with quasi-

sovereign status, as well as securities of high-quality issuers and municipal bonds with put options or redemption dates within one year. The rising trend of stock market indexes in the second half of 2010 encouraged the Bank to carry out operations with shares of high-quality Russian companies, particularly in the resource sectors (Gazprom, Lukoil and Norilsk Nickel).

The situation in 2010 on the interbank lending market was marked by high levels of liquidity, which helped to reduce interest rate levels and volatility. Rates on overnight credits were 2.5-4% for most of the year. Most operations on the interbank market were at rates close to the fixed rates of the Central Bank.

Bank Vozrozhdenie continued to play an active role on the interbank market in 2010, placing funds in both roubles and foreign currency. Interbank loans were provided both in net form to high-quality banks and secured by high-quality assets.

To ensure liquidity, the Bank placed a significant part of its free cash on deposit accounts at the Central Bank.

### International funding

There was a major increase of activity on international capital markets in 2010 and Bank Vozrozhdenie continued its cooperation with financial institutions under existing agreements while developing relationships with new foreign partners.

Last year, the Bank drew down second tranches of credit facilities, which were agreed in November 2009 with the European Bank for Reconstruction and Development. These included a US\$10.6 million tranche as part of a credit line for loans to micro- and small businesses, and a US\$15 million tranche for lending to medium-sized and small businesses. The cost of the second tranches was lower than that



of tranches received in 2009, thanks to better conditions on financial markets in the interim.

Growth of foreign trade and import volumes in 2010 helped Bank Vozrozhdenie to pursue its operations in financing foreign trade contracts for clients. Funding and guarantees were obtained under credit lines opened for the Bank by leading foreign financial institutions, including confirmation of letters of credit issued by the Bank and credits for their payment (post-financing). Vozrozhdenie used guarantees of the European Bank of Reconstruction and Development and insurance cover provided by national export agencies in Germany, Italy, Belgium, Austria and other countries to obtain long-term foreign-trade financing.

The Bank closed 27 transactions during 2010 to obtain international credits: 14 short-term credits totaling about US\$24 million and 13 long-term credits (three to five years) totaling some US\$80 million. Foreign banks issued five guarantees based on warrants of Bank Vozrozhdenie, including tender guarantees and guarantees for execution of obligations and return of deposits.

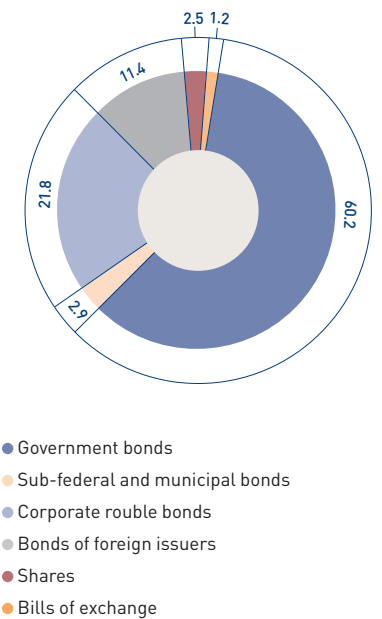
**Priorities for operating on the financial markets in 2011**

In 2011, the Bank will focus on further diversifying its securities portfolio to maintain adequate liquidity, reduce risks and raise the return on assets. It will continue to carry out operations with government securities, including sub-federal and municipal bonds, as well as Central Bank bonds. On the interbank market, the plan is to place free cash as loans or deposits with other high-quality institutions.

In addition, Bank Vozrozhdenie will continue the work to expand its correspondent network, develop deposits and conversion capacities,

and also develop its business opening accounts for other banks as a settlement agent of the Customs Payment System. In the trade finance segment, the Bank will aim to secure larger credit lines and longer maturity periods from foreign banks and to expand the number of its bank counterparties. Amounts borrowed from foreign banks in 2011 are expected to be no lower than in 2010. If the market environment improves, Bank Vozrozhdenie may obtain a syndicated credit to finance the foreign trade operations of its clients.

Breakdown of Bank Vozrozhdenie's turnover in securities operations in 2010, %



## Banking Technologies

The main aim of Bank Vozrozhdenie's work in the area of banking technologies is to develop its business divisions: corporate, retail, finance and bank cards. In addition, the Bank implements projects to streamline its internal infrastructure, including creating a unified information space, making information management more efficient, centralizing and unifying document processing and monitoring banking operations effectively.

In 2010, Bank Vozrozhdenie completed the work to introduce the Integrated Bank System Object (IBSO) and Retail Bank Object (RBO) into automated banking systems at all branches. As of today, all branches and the Head Office work in a unified information space containing information about clients, products, accounts and other data. This takes the online management of the Bank's subdivisions to a new level.

The new automated banking systems mean that the Bank's product range can be managed in a centralised manner. In addition, the RBO system has enabled various resource-intensive daily operations to be transferred from branches to the Head Office. As a result, employees can devote more time to working with individual clients, the services for whom are organised on a "one window" basis.

The priorities for developing banking technologies in 2011 are as follows:

- Automate processes for evaluating applications and making decisions, including monitoring limits on products carrying credit risk (loans) granted to corporate clients
- Automate factoring operations
- Streamline the client base of legal entities

- Automate transactions involving derivatives
- Work further on the internet and mobile banking service for individual clients ("V-Bank With You" project)
- Unify process for retail lending
- Improve electronic document processing and the electronic archive

Last year, a package of Central Bank standardization documents on information security was brought into force.

An external audit was carried out of the Bank's adherence to legal requirements regarding processing personal information and to Central Bank information security standards STO BR IBBS-1.0-2010, "Ensuring Information Security of Organizations in the Russian Banking System. General Resolutions".

Based on the results of the audit, conducted by Informzashchita, the level of information security was rated '4' (on a scale of 0 to 5), which is the level recommended by the Central Bank for financial institutions in Russia.

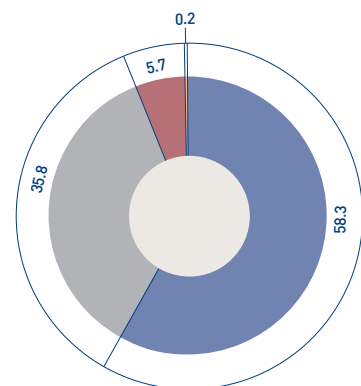
At the end of 2010, Bank Vozrozhdenie completed a range of measures to bring its processing system into line with the PCI DSS international security standards for payment cards. As a result of the work, the Bank received a PCI DSS Compliance certificate.

# Shareholder Structure

As of the record date on 6 May 2010, the Bank had 9,328 shareholders, including 8,345 individuals and 983 legal entities.

Shareholder structure as of the record date (6 May 2010)

Shareholder structure as of the record date (6 May 2010)



- Individuals
- Professional investors
- State bodies
- Public companies

## Shareholders owning more than 5% of the authorised capital

Shareholder	Share of authorised capital, %
Dmitry L Orlov	30.70
Otar L Margania	18.65
JPM International Consumer Holding Inc.	9.37

Bank Vozrozhdenie's authorised capital totals RUB 250,431,990 and consists of 23,748,694 ordinary shares (94.8% of authorised capital) and 1,294,505 preferred shares (5.2%) with a fixed dividend rate, each with par value of RUB 10.

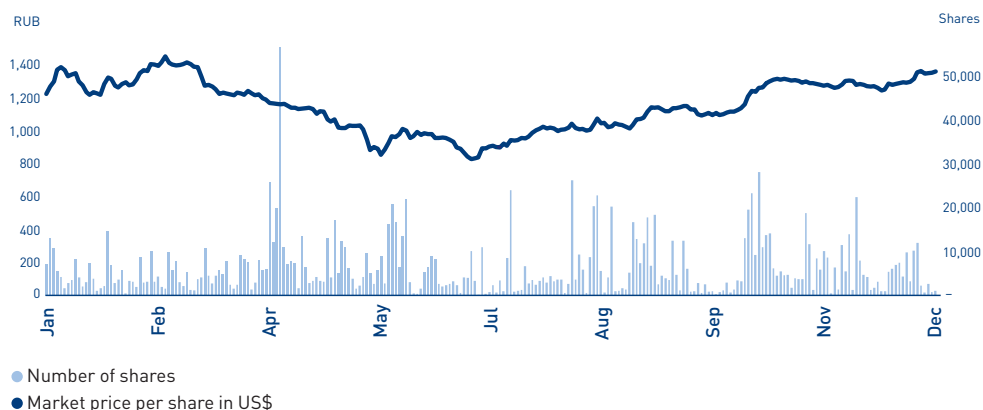
There are no cross-owned shares. The Bank has a right to issue 8,000,000 authorised shares, each with a par value of RUB 10.

Bank Vozrozhdenie's shares are listed on stock exchanges in Russia and abroad. Ordinary shares are traded on the RTS (ticker: VZRZ), while both ordinary and preferred shares are traded on MICEX (tickers: VZRZ and VZRZP) and are included in the MICEX share index. The Bank's ordinary shares have been included in the A2 list of the MICEX since 2007. The bulk of trading in the Bank's shares takes place on MICEX.

As of 1 January 2011, 482,680 ordinary shares of the Bank (2.03% of those issued) were traded on the Berlin, Frankfurt and Stuttgart stock exchanges in the form of Level-1 ADRs. One ordinary share equals one ADR.

At the close on the last trading day of 2010, the ordinary shares had a price of RUB 1,363.57 and a market capitalization of RUB 30.9 billion.

#### Bank Vozrozhdenie's share price on MICEX



Last year, the following members of the management bodies carried out transactions with the Bank's ordinary shares:

Name and position	Share in authorised capital, %	
	01.01.2010	01.01.2011
Otar Margania, Chairman of the Board of Directors	9.39	18.65
Lyudmila Goncharova, member of the Board of Directors, Deputy Chairwoman of the Management Board	1.41	1.25
Mark Nakhmanovich, Deputy Chairman of the Management Board	0.42	0.41
Dmitry Strashok, Deputy Chairman of the Management Board	0.16	0.11

Bank Vozrozhdenie ensures the execution of shareholders' rights in full. To see the complete list of shareholders' rights, for both ordinary and privileged shares, and learn about the procedures for nominating

candidates to the Board of Directors and suggesting items for the agenda of shareholder and Board of Directors' meetings, visit [www.vbank.ru/investors/capital/shares/](http://www.vbank.ru/investors/capital/shares/).

# Corporate Governance

## Achievements in 2010

Bank Vozrozhdenie has a clearly established track record as a leader in corporate governance in Russia. It has a diversified shareholder structure, and its management treats equal rights for all shareholders and the long-term maximization of shareholder value as essential values. A system of corporate governance conforming to best international practices has contributed significantly to the Bank's investment case, as well as increased its ability to raise capital and expand its loan portfolio.

The Bank's corporate governance procedures and the principles they are based on are set out in the Articles of Association, which specify the authority and responsibilities of each level of management at the Bank, as well as regulate the systems of internal control and audit. The corporate governance system is regulated by a Corporate Conduct Code and a Code of Corporate Ethics, which also list a set of overall objectives in developing the system:

- Increase information transparency
- Improve the decision-making process
- Reduce risk exposure
- Prevent conflicts of interest

- Adhere to ethical principles in relationships with all interested parties

In 2010, the focus remained bringing the Bank's internal procedures into compliance with the corporate governance practices already adopted, as well as new developments in Russian legislation and best international practice. More information about compliance with the Corporate Conduct Code can be found in Appendix 4.

Last year, the key developments in the corporate governance system were:

- Streamlining the decision-making process by management bodies
- Introducing procedures for evaluating the work of the Board of Directors and executive bodies
- Regulating procedures for developing the strategy
- Increasing information transparency
- Streamlining the system for managing banking risks and internal control procedures

The Board of Directors conducts an annual assessment of the quality of corporate governance at the Bank in accordance with the recommendations specified by the Central Bank, and each

In 2010, Bank Vozrozhdenie was recognised as one of the most transparent companies in Russia by Standard & Poor's and the Center for Economic and Financial Research of the Russian School of Economics. It ranked 19th out of the country's 90 largest corporations.

year it confirms a schedule of activities for making improvements.

As part of the work to develop the corporate governance system in 2011, the Bank plans to:

- Introduce procedures for controlling the use of insider information
- Review issues relating to approving the development strategy
- Evaluate the work of the Board of Directors and executive bodies
- Increase information transparency

In 2010, Bank Vozrozhdenie was recognised as one of the most transparent companies in Russia by Standard & Poor's and the Center for Economic and Financial Research of the Russian School of Economics, which ranked it 19th out of the country's 90 largest corporations.

#### **Management bodies**

##### **General Meeting of Shareholders**

The senior management body of Bank Vozrozhdenie is the General Meeting of Shareholders. The Bank provides equal rights to all shareholders and ensures equal participation of all shareholders in the Meeting. Shareholders receive timely notification of the event and sufficient background materials for making decisions on the items on

the agenda at least 30 days prior to the scheduled day of the Meeting. Shareholders holding not less than 2% of voting shares are entitled to include items in the Meeting agenda and nominate candidates for election to the Board of Directors and the Audit Commission.

The Bank holds the Annual General Meeting of Shareholders to provide all shareholders with the opportunity to review and discuss the results of the Bank's financial and operational activities during the previous financial year. In the period between annual meetings, an Extraordinary General Meeting of Shareholders may be called by the Board of Directors, the Audit Commission, the external auditor or shareholders with 10% or more of voting shares.

##### **Board of Directors**

The Board of Directors is responsible for general management of the Bank's activities, except for issues within the competence of the General Meeting of Shareholders, in accordance with current legislation and the Articles of Association of the Bank.

The Board of Directors is empowered to determine the strategic priorities of the Bank, to control its financial and economic activities, establish and maintain an effective system of internal control, secure shareholders' rights,

and supervise the activity of executive bodies.

The Board of Directors consists of 12 members. Directors are elected by the Annual General Meeting of Shareholders for the period until the next Annual General Meeting or until an Extraordinary General Meeting with an agenda that includes the election of new members to the Board of Directors.

The following issues are regularly included in meeting agendas of the Board of Directors:

- Quarterly consideration of the Bank's results in accordance with International Financial Reporting Standards
- Quarterly consideration of reports by the Controller of the Bank's professional activity on securities markets, as well as reports on compliance with the rules of internal control and with internal programs to combat legalization of revenues obtained by crime and financing of terrorism
- Quarterly consideration of review materials of the Bank by the Central Bank of Russia, which have been submitted to the Board of Directors
- Quarterly consideration of fulfillment of the Action Plan for improving the quality of corporate governance
- Consideration of the Report on stress-testing of the Bank for the half-year
- Consideration of the activity of the Bank's Internal Control and Audit Service for the first half of the year and for the full year
- Consideration of reports by the Department for Control of Credit Risk for the full year

On 25 June 2010, the General Meeting of Shareholders elected the Board of

Directors, of which 10 directors were the same and two were new. Otar Margania was elected the Chairman of the Board.

In accordance with best corporate governance practices and recommendations by the Corporate Conduct Code of the Russian Federal Financial Markets Service, independent directors are members of the Board of Directors. In 2010, half of the directors were independent. To determine the independence of members of the Board of Directors, the Bank uses criteria laid out in internal documents that meet FFMS requirements.

The Bank defines independent directors as those who:

- Have not been an official or an employee of the Bank for the last three years
- Are not an officer of another entity where any official of the Bank is a member of the Human Resources and Compensation Committee of the Board of Directors
- Are not an affiliated person to an official at the Bank
- Are not an affiliated person of the Bank (except for membership of the Board of Directors)
- Are not a party in liabilities to the Bank, the terms of which presuppose that the director may acquire property (receive funds) with a value of not less than 10% of its total annual income, except for remuneration for participation in the activity of the Board of Directors
- Are not a major counterparty of the Bank
- Have not been a member of the Board of Directors for more than five years



- Do not represent the Russian government

#### Report of the Board of Directors

Nine meetings of the Board of Directors were held in 2010, including one held in the form of joint presence and eight meetings in the form of absentee voting (using questionnaires). Board meetings reviewed 79 agenda items.

The key decisions of the Board of Directors in 2010 were:

- Approval of the financial plan (budget) of the Bank for 2010
- Approval of the Audit Committee membership
- Approval of the Board's Human Resources and Compensation Committee membership
- Approval of amendments to the Articles of Association
- Calling of the Annual General Meeting of Shareholders and approval of its agenda
- Development of recommendations for the General Meeting of Shareholders on the amount of dividends to be paid based on the results for the year
- Preliminary approval of the annual report
- Changing the registrar and conclusion of an agreement for providing security registrar services with OAO Registrar R.O.S.T
- Approval of the schedule of reviews by the Internal Control and Audit Service of the Bank's internal divisions for 2011
- Approval of the fee paid to PricewaterhouseCoopers Audit for the Bank's annual audit

In addition to matters that are reviewed regularly, the Board of Directors plans to work on the following in 2011:

- Approval of the Bank's development strategy
- Approval of amendments to the Articles of Association due to changes in legislation
- Approval of internal documents on risk management
- Self-evaluation of the activities of the Board of Directors

#### Committees of the Board of Directors

Two committees have been established under the Board of Directors: the Audit Committee and the Human Resources and Remuneration Committee. They are responsible for providing recommendations and expertise to the Board of Directors regarding key issues within their competencies.

#### Audit Committee

The Audit Committee submits recommendations to the Board of Directors on the appointment of an external auditor and assesses the auditor's opinion on the Bank's financial statements. In addition, the Committee evaluates existing procedures for internal control and provides recommendations for their improvement.

The Audit Committee was elected on 25 June 2010, in accordance with the Board of Directors' decision. Its members are V. Panskov (Chairman of the Committee), V. Zhigulich and N. Zatsepin. The Committee held eight meetings in 2010.

In 2010, in accordance with the schedule of activities planned for the year, the Committee carried out a preliminary review of the:

- Schedule of reviews of internal divisions by the Internal Control and Audit Service for 2011
- Report on work of the Internal Control and Audit Service in 2009 and the first half of 2010
- Quarterly reports of the Controller of the Bank's activity as a professional participant in the securities market
- Quarterly reports on compliance with the rules of internal control to prevent the legalization (laundering) of criminally obtained revenues and financing of terrorism
- Quarterly IFRS results
- Agreements and fees for the services of PricewaterhouseCoopers Audit and provided recommendations to the Board of Directors
- New edition of the Regulations on the Internal Control and Audit Service interaction with subdivisions during internal audit reviews
- New edition of the Regulations on Control of Eliminating Violations and Inadequacies Uncovered in the Internal Control System
- Report on stress-testing at the Bank for the first half of 2010
- Fulfillment of the financial plan for 2010
- Financial plan (budget) for 2011
- Analysis of the auditor's Report for 2010 and assessment of the auditor's opinion
- Providing recommendations to the Board of Directors regarding candidates for the external auditor
- Preliminary consideration of the schedule of the Reviews of internal divisions by the Internal Control and Audit Service in the second half of 2011
- Approval of the Report on the Audit Committee's activities during the year

#### Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee develops the principles and criteria for establishing the amount of remuneration paid to members of the Board of Directors, the Chairman and members of the Management Board. The Committee also defines requirements applied to candidates for the Chairman and members of the Management Board and members of the executive bodies. It also carries out regular assessments of the activity of the Chairman and members of the Management Board and provides recommendations regarding the renewal of their contracts.

The Human Resources and Remuneration Committee was elected on 25 June 2010, following approval by the Board of Directors. O Margania withdrew his membership due to his election as the Chairman of the Board of Directors. The newly elected members are M. Eskindarov (Chairman of the Committee), N. Mikhalkov and Y. Poletaev. The Committee held four meetings in 2010.

In 2010, the Human Resources and Remuneration Committee:

- Preliminary review of the Report of the Department for Credit Risk Control and the Report on Stress-testing for 2010
- Provided recommendations regarding candidates for the

members of the Board of Directors and Audit Committee to be elected by the Annual General Meeting of Shareholders

- Devised recommendations regarding the amount of remuneration paid to members of the Board of Directors based on the results for the year
- Preliminarily reviewed the Regulation on Conducting a Self-evaluation of the Bank's Activities
- Preliminarily reviewed the new edition of the Code of Corporate Ethics
- Preliminarily reviewed the Regulation on Conducting an Evaluation of the Activities of the Executive Bodies

The Committee's work schedule for 2011 includes:

- Developing criteria for assessing the activity of the Board of Directors
- Preparing recommendations concerning candidates to the Board of Directors and the Audit Committee based on proposals from shareholders
- Evaluating the activities of the Board of Directors
- Carrying out a preliminary assessment and devising recommendations concerning candidates to the Board of Directors and the Audit Committee for election at the Annual General Meeting of Shareholders
- Devising recommendations concerning the amount of remuneration payable to members of the Board of Directors based on the results for the year
- Preliminarily reviewing the Bank's development strategy

- Approving the Report on the Activity of the Human Resources and Remuneration Committee for the year

#### Members of the Board of Directors

On 25 June 2010, the Annual General Meeting of Shareholders elected two new independent directors, V. Khartov and M. Eskindarov, who replaced R. Willumstad and A. Zhizhaev. All other members of the Board of Directors were re-elected for a new term.

Otar L. Margania

Chairman of the Board of Directors,  
Non-executive Director

Born in 1959

Mr. Margania is the Dean of the Economics faculty of St Petersburg State University. Previously, he was a Senior Vice-President at Bank VTB. Since 2003, he has been a member of the Board of Directors of Bank Vozrozhdenie, and he was previously a member of Human Resources and Compensation Committee. He has been Chairman of the Board of Directors since June 2010.

Mr. Margania graduated from Leningrad State University and dedicated 15 years to science.

In 2009, he was awarded an Order of Honor by the Russian presidential decree.

Share in authorised and issued capital:  
18.65%

Dmitry L. Orlov

Executive Director

Born in 1943

Mr. Orlov is the Chairman of the Trustee Fund of the Moscow Financial Academy, a member of the Russian Banks Association, and a member of the Council of Banks Representatives under the Mayor of Moscow.

Mr. Orlov graduated from the Credit Faculty of the Moscow Finance Institute (now, the Financial Academy under the Government of Russia). He worked in the Gosbank system for about 20 years, and in 1988 he became the Head of the Moscow Regional Department of Agroprombank of the USSR.

Mr. Orlov has been awarded the title "Honored Economist of the Russian Federation". He has also been awarded the medal of the Order of Ivan Kalita, the medal "In Memory of the 850th Anniversary of Moscow", the medal "For Strengthening Military Cooperation", the mark of distinction "For Contribution to Moscow Region", the award of the Governor of Moscow Region "For Contribution", the award of the Governor of the Moscow Region "In Gratitude", and the mark of distinction "For Impeccable Service to the City of Moscow".

Mr. Orlov has been working with the bank since its foundation as Chairman of the Management Board and has been a member of the Board of Directors for over 15 years.

Share in authorised and issued capital: 30.70%

Lyudmila A. Goncharova  
Executive Director

Born in 1958

Mrs. Goncharova manages the Economic Council, and the Bank's Credit and Investment Committee and Client Committee. She is also responsible for the activity of the Credit, Asset Restructuring, Corporate Business and Legal Departments of Bank Vozrozhdenie. Mrs. Goncharova has been working at Bank Vozrozhdenie since its foundation. She has been a member of the Board of Directors since 1996.

Mrs. Goncharova graduated from the Ternopol Financial-Economic Institute.

Mrs. Goncharova is also Chairwoman of the Board of Directors of V-REGISTR CJSC, as well as a member of the Board of Directors of Baltiyskiy Kurort LLC and OJSC Yunost'.

Mrs. Goncharova has been awarded the medal of the Order of Ivan Kalita, the Honor "For Contribution to Moscow Region", and the Honor of the Governor of Moscow Region "For Contribution". She was also named "Honored Economist of Moscow Region".

Share in authorised and issued capital: 1.25%

Alexander V. Dolgoplov  
Executive Director

Born in 1961

Mr. Dolgoplov heads Retail Banking, Shareholder Relations, Marketing, and Cash Operations. He has been with the Bank since 1994 and has been a member of the Board of Directors since 1997.

Mr. Dolgoplov graduated from the Moscow G. V. Plekhanov Institute of National Economy with a Candidate of Economic Science degree. He has a qualification certificate that gives him the right to carry out professional activities on the securities market.

Mr. Dolgoplov has been awarded the Honor of the Governor of Moscow Region "In Gratitude" and "For Contribution and Dedication".

Share in authorised and issued capital: 0.36%

Valeriy P. Zhigulich  
Independent Director

Born in 1952

Mr. Zhigulich is General Director of Federal Scientific Manufacturing Company "Krasnogorsk plant named after S. A. Zverev". He became a

member of the Bank Vozrozhdenie's Board of Directors in 2007 and has been a member of the Audit Committee since 2010.

Mr. Zhigulich graduated from the Sverdlovsk Institute of National Economy in 1980.

Mr. Zhigulich has been named "Honored Economist of the Russian Federation", "Honorable Mechanical Engineer", and "Honored Worker of the Arms Industry". He is also a holder of the Russian Government prize in the field of science and engineering.

Share in authorised and issued capital: 0.002%

Nikolay S. Zatsepin  
Non-executive Director

Born in 1951

Mr. Zatsepin is CEO of Mozhaisk Wholesale and Retail Trade Company, General Director of SP-Dorohovo-NK and the Director of LLC Edelweiss. He has been a member of the Board of Directors at Bank Vozrozhdenie since 1994 and is a member of the Audit Committee.

Mr. Zatsepin graduated from the Moscow Institute of Civil Aviation Engineers.

Share of authorised and issued capital: 0.16%

Yury M. Marinichev  
Non-executive Director

Born in 1937

Mr. Marinichev is Chairman of the Board of the Moscow Regional Union of Consumer Cooperatives. Previously, he was Chairman of the Management Board of the organization. He is a member of the International Academy of Information, Information Processes and Technologies. He has been a

member of the Board of Directors at Bank Vozrozhdenie since 1990 and was Chairman of the Board from 1994 to 2009.

Mr. Marinichev graduated from the Moscow Transport Institute and from the Industrial Production and Construction Organization faculty of the Moscow Engineering and Economics Institute.

Mr. Marinichev was awarded the Honor "For Contribution to the Motherland" IV class and "Honor Sign".

Share of authorised and issued capital: 0.23%

Nikita S. Mikhalkov  
Independent Director

Born in 1945

Mr. Mikhalkov is a film director, script writer, actor, producer and public figure. He is a People's Artist of the RSFSR and was three times awarded the State Award of Russia. He is a member of the Presidium of the Culture and Art Council under the President of the Russian Federation.

Mr. Mikhalkov is the Chairman of the Management Board of Studio TRITE, the President of the Russian Cultural Fund, and the Chairman of the Union of Russian Cinematographers. He is a member of the Human Resources and Remuneration Committee at Bank Vozrozhdenie.

Mr. Mikhalkov graduated from Film-Director Faculty of the All-Russia State Institute of Cinematography in 1971.

The films made by Mr. Mikhalkov have received international recognition and a great number of awards, including an Oscar in 1994 for the film *Burnt by the Sun* and a special Golden Lion in Venetian Filmfest for the film *12* in 2007.

Mr. Mikhalkov has been awarded with such Honors as “Labor Red Banner”, “For Contribution to the Motherland” III and II classes, and the Honor of Sergey Radonezhskiy I class. He is a Knight (1992) and a Commander (1994) of the Legion d’Honneur (France). In 2004 he was awarded with Knight Grand Cross and Vittorio De Sica prize. In 2005, he was awarded the highest Russian public honor “For Labor and the Homeland” of Alexander Nevskiy.

Share of authorised and issued capital:  
0%

Vladimir G. Panskov  
Independent Director

Born in 1944

Mr. Panskov is a Doctor of Economic Science, professor of the Moscow G.V. Plekhanov Institute of National Economy, professor of the All-Russian Financial and Economic Institute, a member of the International Academy of Corporate Governance and the Russian Academy of Natural Sciences, and a member of the Board of Directors of Bankhaus Erbe. He is Chairman of the Audit Committee at Bank Vozrozhdenie.

Mr. Panskov graduated from the Moscow Financial Institute.

Mr. Panskov was previously an Auditor in the Audit Chamber of the Russian Federation. He has been awarded the medals “Honor” and “Veteran of Labor”.

Share of authorised and issued capital:  
0.003%

Yury V. Poletaev  
Independent Director

Born in 1943

Mr. Poletaev is a member of the Human Resources and Compensation Committee of Bank Vozrozhdenie.

Previously he was the Chairman of the Management Board and a member of the Board of Directors of Vneshtorgbank. He also was the Director of Moscow National Bank in London.

He graduated from the Moscow Financial Institute.

Share of authorised and issued capital:  
0%

Viktor V. Khartov  
Independent Director

Born in 1955

Mr. Khartov is a chief designer and CEO of FSUE “Scientific and production association named after S. A. Lavochkin”. Previously he was a deputy chief electricity and monitoring system designer at JSC “Informational satellite systems named after M. F. Reshetnev”. He has been a member of the Board of Directors at Bank Vozrozhdenie since 2010.

Mr. Khartov graduated from Tomsk Polytechnic University. He holds a Doctor of Engineering Science degree. He is the holder of Government Prize in the Field of Science and Engineering for 2008 and was named “Honored Designer of the Russian Federation” in 2009.

Share of authorised and issued capital:  
0%

Mukhadin A. Eskindarov  
Independent Director

Born in 1951

Mr. Eskindarov has been rector of the Financial Academy under the Government of the Russian Federation since 2006 and was a First Pro-rector from 2002. He has been Rector of the Financial University under the Government of the Russian Federation since 2010. He is the Chairman of the

Human Resources and Compensation Committee at Bank Vozrozhdenie.

At present, he is a member of the Board of Directors of OJSCs TMK and MInB, as well as a member of the Supervisory Board of Bank VTB.

Mr. Eskindarov graduated from the Moscow Finance Institute in 1976 with a degree in Finance and Credit. He holds a Doctor of Science degree, and is a professor and an honored figure of science in the Russian Federation.

Share of authorised and issued capital: 0%

#### **Remuneration to Members of the Board of Directors**

The amount of remuneration paid to members of the Board of Directors is defined on the basis of the personal contribution of each director in achieving the Bank's development objectives, as well as the position occupied in the Board of Directors. Executive directors are not paid additional remuneration for participation in the activity of the Board of Directors. The amount of remuneration paid to the Chairman of the Board of Directors shall not exceed RUB 3 million per annum. The amount of remuneration paid to independent directors and chairmen of committees of the Board of Directors shall not exceed RUB 1.5 million per annum. The amount of remuneration paid to other members of the Board of Directors shall not exceed RUB 600,000 per annum.

In accordance with the resolution by the Annual General Meeting of Shareholders dated 25 June 2010, the amount of remuneration paid to members of the Board of Directors for 2010 was RUB 9,321,216.

#### **Management Board**

##### **Chairman of the Management Board**

The Chairman of the Management Board is responsible for operational management and implementing

the strategy approved by the Board of Directors in accordance with the authorities given to him by the Articles of Association and the General Meeting of Shareholders.

The Chairman of the Management Board is Dmitry Orlov.

Mr. Orlov was born in Sukhumi in 1943. He is the Chairman of the Trustee Fund of the Moscow Financial University, a member of the Russian Banks Association, and a member of the Council of Banks Representatives under the Mayor of Moscow.

Mr. Orlov graduated from the Credit Faculty of the Moscow Finance Institute (now, the Financial University under the Government of Russia). He worked in the Gosbank system for about 20 years, and in 1988 he became the Head of the Moscow Regional Department of Agroprombank of the USSR.

Mr. Orlov has been awarded the title "Honored Economist of the Russian Federation". He has also been awarded the medal of the Order of Ivan Kalita, the medal "In Memory of the 850th Anniversary of Moscow", the medal "For Strengthening Military Cooperation", the mark of distinction "For Services to Moscow Region", the Honor award of the Governor of Moscow Region "For Contribution", the Honor award of the Governor of the Moscow Region "In Gratitude", and the mark of distinction "For Impeccable Service to the City of Moscow".

Mr. Orlov has been working with the bank since its foundation as Chairman of the Management Board and has been a member of the Board of Directors for over 15 years.

Share in authorised and issued capital: 30.70%

##### **Members of the Management Board**

To ensure effective day-to-day management of the Bank's



operations, the Board of Directors elects a corporate executive body, the Management Board. It is responsible for resolving issues regarding operational management of the Bank's activities that have substantial influence on its current activity and require joint approval. The Management Board consists of 12 members.

**Tatiana F. Gavrilkina**  
Deputy Chairwoman of the Management Board

Born in 1959

Mrs. Gavrilkina heads the Bank's Financial Department. She is responsible for financial planning, financial strategy, budgeting and relations with tax authorities. She has been working at the Bank since its foundation.

Previously Mrs. Gavrilkina was Deputy Head of the Resources Management Department and Head of the Liquidity Management Department.

Mrs. Gavrilkina graduated from the Moscow Finance Institute (now the Finance Academy under the Government of Russia). She has been awarded the Honor of the Governor of Moscow Region "For Contribution".

Share in authorised and issued capital:  
0.12%

**Lyudmila A. Goncharova**  
Deputy Chairwoman of the Management Board

Born in 1958

Mrs. Goncharova manages the Economic Council, and the Bank's Credit and Investment Committee and Client Committee. She is also responsible for the activity of the Credit, Asset Restructuring, Corporate Business and Legal Departments of Bank Vozrozhdenie. Mrs. Goncharova has been working at Bank Vozrozhdenie

since its foundation. She has been a member of the Board of Directors since 1996.

Mrs. Goncharova graduated from the Ternopol Financial-Economic Institute.

Mrs. Goncharova is also Chairwoman of the Board of Directors of V-REGISTR CJSC, as well as a member of the Board of Directors of Baltiyskiy Kurort LLC and OJSC Yunost'.

Mrs. Goncharova has been awarded the medal of the Order of Ivan Kalita, the Honor "For Services to Moscow Region", and the Honor of the Governor of Moscow Region "For Contribution". She was also named "Honored Economist of Moscow Region".

Share in authorised and issued capital:  
1.25%

**Alexander V. Dolgoplov**  
Deputy Chairman of the Management Board

Born in 1961

Mr. Dolgoplov heads Retail Banking, Shareholder Relations, Marketing, and Cash Operations. He has been with the Bank since 1994 and has been a member of the Board of Directors since 1997.

Mr. Dolgoplov graduated from the Moscow G. V. Plekhanov Institute of National Economy with a Candidate of Economic Science degree. He has a qualification certificate that gives him the right to carry out professional activities on the securities market.

Mr. Dolgoplov has been awarded the Honor of the Governor of Moscow Region "In Gratitude" and "For Contribution and Dedication".

Share in authorised and issued capital:  
0.36%

Management Board



Dmitry L. Orlov

Chairman of the Bank's Management Board  
Member of the Bank's Board of Directors



Tatiana F. Gavrilkina

Deputy Chairwoman of the Bank's Management Board  
Heads the Bank's Financial Department



Lyudmila A. Goncharova

Deputy Chairwoman of the Bank's Management Board  
Member of the Bank's Board of Directors



Alexander V. Dolgoplov

Deputy Chairman of the Bank's Management Board  
Member of the Bank's Board of Directors



Mark M. Nakhmanovich

Deputy Chairman of the Bank's Management Board



Yury I. Novikov

Deputy Chairman of the Bank's Management Board  
Head of the Bank's North-West Inter-Regional Center



Dmitry A. Strashok

Deputy Chairman of the Bank's Management Board



Rushan A. Abdullin

Head of Banking Technologies



Alexander A. Bolvinov

Head of Administration Department



Sergei N. Malinin

Head of Corporate Department



Alla A. Novikova

Chief Accountant



Andrey A. Shalimov

Head of Treasury

Mark M. Nakhmanovich  
Deputy Chairman of the Management Board

Born in 1957

Mr. Nakhmanovich heads the bank card business and is responsible for IT operations and security. He has been at the Bank since 1993. Previously he was Financial Director of agricultural company Belaya Dacha.

Mr. Nakhmanovich graduated from Moscow K. A. Timiryazev Academy of Agriculture. He has a Candidate of Economic Science degree.

Mr. Nakhmanovich has been awarded the Honor of the Governor of Moscow Region "For Contribution and Dedication".

Share in authorised and issued capital: 0.41%

Yury I. Novikov  
Deputy Chairman of the Management Board

Born in 1962

Mr. Novikov heads the Bank's North-West Inter-Regional Center (representative office in the North-West Federal District). He coordinates the activity of the regional Credit and Coordination committees. He has been working at the Bank since 2003.

Previously Mr. Novikov was the Director for Economics and Deputy Chairman of the Management Board of Industrial Construction Bank in St Petersburg. He was also President of Bank St Petersburg and North-West Telecombank. He was also a member of the Council of the National Fund Association.

Mr. Novikov graduated from Leningrad State University and has a degree of Doctor of Economic Science.

Share in authorised and issued capital: 0%

Dmitry A. Strashok  
Deputy Chairman of the Management Board

Born in 1951

Mr. Strashok is responsible for accounting, settlements, credit risk control, information security, depositary operations, and servicing. He also oversees the work of the Labor Protection Service. He has been working at the Bank since 1994. At present, he is also Chairman of the Board of Directors of Baltiyskiy Kurort LLC.

Previously Mr. Strashok was head of the Financial Division of the Moscow Region Agricultural Administration. He was a member of the Board of Directors of OJSC Sherrizon.

Mr. Strashok graduated from the All-Union Institute of Agriculture. He has been awarded the Honor of the Governor of Moscow Region "For Contribution".

Share in authorised and issued capital: 0.11%

Rushan A. Abdullin  
Member of the Management Board

Born in 1968

Mr. Abdullin is Head of Banking Technologies. He started his career as an economist in the Bank's Accounting Department. He has worked at the Bank for more than 15 years.

Mr. Abdullin graduated from the Finance Academy under the Government of Russia in 1993.

Share in authorised and issued capital: 0%

Alexander A. Bolvinov  
Member of the Management Board

Born in 1962

Mr. Bolvinov is Head of the Administration Department. He has been working with the Bank since 2000.

Previously Mr. Bolvinov was a General Director of JSC "Amarillis M". He graduated from the Moscow State Institute of International Relations (MGIMO) in 1986.

Share in authorised and issued capital: 0%

Sergei N. Malinin  
Member of the Management Board

Born in 1963

Mr. Malinin is Head of the Corporate Department. He has been working with the Bank since 1993.

Previously Mr. Malinin was a Chief Economist in the Securities Division of the Securities and Investments Department and later he became Head of the Development Department. He graduated from Moscow G. V. Plekhanov Institute of National Economy.

Share in authorised and issued capital: 0%

Alla A. Novikova  
Member of the Management Board

Born in 1957

Mrs. Novikova is Chief Accountant of the Bank. She has been working with the Bank since its foundation.

Mrs. Novikova graduated from Moscow Railway Institute.

Share in authorised and issued capital: 0.002%

Andrey A. Shalimov  
Member of the Management Board

Born in 1973

Mr. Shalimov is Head of the Treasury. He has been working with the Bank since 1993.

Previously Mr. Shalimov was Deputy Head of the Liquidity Department. He graduated from the Finance Academy under the Government of Russia and from the State University - Higher School of Economics.

Mr. Shalimov has been awarded the Honor of the Governor of Moscow Region "For Contribution".

Share in authorised and issued capital: 0.00002%

#### **Remuneration to Members of the Management Board**

Remuneration to members of the Bank's Management Board is paid in accordance with the Bank's Regulation on Remuneration to Members of Executive Bodies, approved by the Board of Directors. Remuneration includes salary and incentive and compensation payments. Bonuses are paid to members of the Management Board according to the results of the Bank's activity during the reporting period and depend on the Bank's fulfillment of performance indicators in accordance with the Bank's approved development strategy. In 2010, the amount of remuneration paid to members of the Management Board (including salary, bonuses and other material compensation) amounted to RUB 185,837,000.

#### **Internal Control and Audit Internal Control System**

The Bank's internal control system oversees financial and business activities to protect the rights and legal interests of all shareholders and investors. The system includes bodies and services that work to discover, prevent and restrict financial and operational risks, detect violations, and develop recommendations for ensuring compliance with the requirements by all levels of Bank staff.

The internal control system is governed by the Bank's Regulations "On Organization of Internal Control"



and by various internal documents that regulate cooperation between internal divisions. The Audit Committee coordinates all elements of the system of control of the Bank's financial and economic activities. Monitoring of the internal control system is the responsibility of the Board of Directors and the executive bodies.

The main issues under control are:

- Control over compliance with the Law On Joint-Stock Companies and the Bank's Articles of Association by the executive bodies
- Control over the system of managing and assessing banking risks
- Control over distribution of authorities in the course of banking activities
- Control over management of information flows and ensuring information security
- Control over the system for combating legalization of criminally obtained revenues and financing of terrorism
- Control to ensure that the Bank's activities as a professional securities market participant comply with Russian laws and the regulations of the Federal Financial Markets Service
- Ongoing monitoring of the internal control system

#### **Internal Control and Audit Service**

The Internal Control and Audit Service (ICAS) is the main regulatory body of Bank Vozrozhdenie's internal control system. It carries out internal control and helps the Bank's management bodies to ensure efficient functioning of the Bank. The ICAS carries out its activity according to the Regulation on the Internal Control and Audit Service and in compliance with the Bank's Articles of Association and internal

regulations, as well as Central Bank regulations.

The ICAS's scope of authority includes:

- Audit reviews of all aspects of the Bank's business
- Control over the efficiency of measures adopted by internal divisions and/or management bodies of the Bank according to the results of reviews aimed at reducing the level of risks detected
- Control over measures aimed at eliminating violations and shortcomings detected by specialists of the Central Bank and ICAS
- Cooperation with the Bank's auditor and the Central Bank on issues regarding organization of internal control, as well as prevention and suppression of violations by Bank staff of legal acts, internal documents and professional standards
- Review of internal documents' drafts

The ICAS operates according to the principles of consistency, independence and impartiality.

#### **Audit Commission**

The Audit Commission comprises at least three members elected by the General Meeting of Shareholders for the period until the next meeting. Members of the Audit Commission cannot simultaneously be members of the Bank's Board of Directors or Management Board.

The Commission has the authority to carry out reviews of the Bank's financial and business activities to verify their compliance with financial and business plans, assess the Bank's financial standing, and verify compliance with the established standards and the

functioning of the systems of internal oversight and risk management.

In 2010, the Audit Commission carried out an audit of the Bank's financial and business activity in the previous financial year. It also analyzed the Bank's financial position, compliance with established standards and limits, and the functioning of internal control and risk management systems. It confirmed the accuracy of the data in the annual report, annual financial statements and other financial documents. The Commission did not carry out any extraordinary audit based on any decision by the General Meeting of Shareholders or Board of Directors or following any request by shareholders.

**Auditor**

In compliance with the Federal Law On Joint-Stock Companies, Bank Vozrozhdenie retains an independent auditor of the bank and its officers to audit and confirm the annual financial statements compliance with both Russian Accounting Standards and International Financial Reporting Standards. ZAO PricewaterhouseCoopers Audit (before

1999, ZAO Coopers & Lybrand) has been Bank Vozrozhdenie's auditor since the Bank was founded.

Member of the Chamber of Russian Auditors (non-profit partnership)

State registration number:  
1027700148431.

Address: Butyrsky Val 10, Moscow, 125047

PricewaterhouseCoopers has a high reputation both in Russia and internationally. It carries out audits and provides business consulting, taxation and legal services to companies in various sectors.

ZAO PricewaterhouseCoopers Audit (and its official representatives) has no interests related to the Bank (or its official representatives).

**Dividend policy**

The Bank's dividend policy is based on a balance between the need to reinvest in further development and observance of the right of shareholders to receive net profits. This balance is a key factor

**Membership of the Audit Commission**

Name, year and country of birth	Positions held at the Bank or other organizations	Share of the Bank's authorised and issued capital	Education
Viktor A. Afonin, 1956, Russia	Chairman of the Audit Commission; Deputy General Director of Almazymirexport (federal unitary enterprise)	–	Higher, Moscow Finance Institute
Tamara N. Lapinskaya, 1954, Russia	Member of the Audit Commission; Head of Business Planning and Analysis Division of the Finance Department	0.004%	Higher, Moscow Finance Institute
Svetlana A. Markina, 1952, Russia	Member of the Audit Commission; Head of the Internal Operations Accounting Division of the Accounting and Financial Reporting Department	0.0004%	Specialised secondary, All-Union School of Accounting and Credit
Elena V. Abramova, 1970, Russia	Member of the Audit Commission; Head of the Corporate Relations Section of the Corporate Department	–	Higher, State Finance Academy

## Declared and accrued dividends on Bank Vozrozhdenie shares for 2009

	Declared and accrued dividends as % of the share's face value	Amount of declared and accrued dividends, RUB '000
Ordinary shares	5	11,874
Preferred shares (fixed dividend)	20	2,589
Total		14,463

for long-term increase in the Bank's shareholder value. The Bank's dividend policy envisages annual dividend payments of up to 10% of net profit earned in the previous financial year. Dividends on preferred shares must be 20% of their face value, according to the Bank's Articles of Association. All dividends are paid in monetary form, net of taxes, within 60 days of the approval of their payment by the General Meeting of Shareholders.

The text of the Provision on Dividend Policy is available on the Bank's website: <http://www.vbank.ru/en/investors/cmanagement/internal/>.

In accordance with the decision of the General Meeting of Shareholders dated 25 June 2010, shareholders as of the record date on 6 May 2010, at 7 pm Moscow time (the date for establishing the list of persons eligible to participate in the Annual General Meeting of Shareholders), are eligible to receive dividends for 2009.

The Dividends declared for last year were:

- 5% of the face value for ordinary non-documentary shares
- 20% of the face value for preferred non-documentary shares with fixed dividend

The total amount of accrued dividends was RUB 14,463,357.

### Information disclosure

Bank Vozrozhdenie places paramount importance on information disclosure

as a part of corporate governance. It considers its main priority in this area to be providing the market with information that is complete, transparent, accessible and accurate enough to make decisions and evaluate the potential and reliability of investing in its shares, in line with legislative requirements and ethical principles.

To do this, the Bank organises press conferences and distributes press releases and electronic communications dedicated to key operational events. Every quarter, it publishes the results of its activities according to International Financial Reporting Standards. It also holds regular meetings and conference calls (web casts) with financial analysts, shareholders and investors. The management takes part in major industry and investment conferences. Every year, the Bank publishes an annual report detailing its activities in the previous reporting period and the prospects for future development.

One important channel for providing information is the corporate website, which is updated regularly and contains details about major events and achievements, the management structure, and the results of financial and economic activities. The website contains financial results (both IFRS and RAS), lists of affiliated parties, key facts and other documents required by Russian legislation and international best practice. In 2010, the Bank opened a Twitter account, making access to corporate information easier and accelerating its distribution to all interested parties.



Last year, the Bank's work with shareholders and investors was again recognised by the business community. Bank Vozrozhdenie came third in the "Best IR Manager" category of a rating of small and mid-cap companies by *IR magazine Russia and CIS*, while its annual report won the "Best Information Disclosure for Clients" category at an annual report competition organised by the RTS exchange. Bank Vozrozhdenie also came first in the third annual "IR Cases" competition organised by Interfax Business Service and the *Securities Market* magazine.

#### Deals with interested parties

In accordance with a decision by the Annual General Meeting of Shareholders on 25 June 2010, the Bank has concluded certain transactions (loan issuance, guarantees, deposits, and other operations) in respect of which members of the Board of Directors and the Bank's executive bodies are deemed to be interested parties, in accordance with the Russian Federal Law On Joint-Stock Companies.

The above-mentioned transactions were concluded during ordinary business activities. The significant terms of such deals did not differ from the standard terms of similar deals.

The amount of each transaction (a series of related transactions) concluded by the Bank with each of the interested parties did not exceed the limit (RUB 6,900,000,000) approved by the decision of the Annual General Meeting of Shareholders.

The amount of each of the interested-party transactions, bearing credit risk, did not exceed the limit of RUB 2,500,000,000, while the sum of several inter-related deals with each of the interested parties did not exceed the limit of RUB 5,000,000,000, as approved by the General Meeting of Shareholders.

In 2010, the total sum of interested-party transactions was RUB 2.7 billion, including:

- loans granted of RUB 1.3 billion
- interbank loans granted/received of RUB 1 billion
- guarantees on loan agreements, transactions involving securities and open accreditations of RUB 0.4 billion

#### Deals with related parties

In 2010, Bank Vozrozhdenie concluded deals with counterparties recognised by International Financial Reporting Standards as being related parties. Parties are considered related if they are under common control, one is able to control the other, or if one can exert significant influence over the other in making financial and operational decisions. As a rule, when considering relations with all related parties, not only the legal form, but also the economic nature is taken into account.

At the end of the reporting period, the volume of loans and advances made to shareholders and the management, as well as dependent companies totaled RUB 721 million. In 2010, the Bank granted RUB 699 million in loans to related parties, of which RUB 328 million was repaid during the year. The funds placed by related parties in short-term deposits and current and settlement accounts rose by 50.2% year-on-year to RUB 3,467 million, while the overall subordinated deposits placed by shareholders more than halved, reaching RUB 305 million.

More information about deals with related parties can be found in Note No. 35 to the IFRS accounts.

#### Information on large transactions

During 2010, Bank Vozrozhdenie did not carry out any large transactions (as defined by Article 78 of the Federal Law No. 208 On Joint Stock Companies).

# Risk Management

Effective management and minimization of risk is a top priority for Bank Vozrozhdenie. Its risk management strategy focuses on achieving an optimal balance between profitability and the risk assumed.

When developing its risk management system, the Bank takes into account recommendations of the Central Bank of Russia and the Basel Committee on Banking Supervision.

The Bank's risk management system takes account of risks both when making management decisions and during day-to-day banking activity. The system is designed to detect, identify and classify potential risks quickly, as well as analyze, measure and assess risk exposure and apply specific methods for managing banking risks. Procedures for assessing and managing risk are integrated into day-to-day business processes.

Bank Vozrozhdenie's main risk management objectives are to mitigate the overall threats to its operations using the resources available, reduce the number of unforeseeable events/losses, evaluate the effectiveness of the business given the risks assumed, and streamline the risk management system.

To evaluate risks, the Bank uses the following key indicators:

- Capital at risk – the maximum possible losses associated with the main types of risk
- Economic capital – the capital necessary to cover overall risk, including potential and materialised
- RAROC (Risk-Adjusted Return on Capital) – the return on economic capital, calculated as the ratio of net income to economic capital

Bank Vozrozhdenie's business is exposed to a wide range of risks, the most significant ones in terms of potential losses being: credit, market, liquidity and operating risk.

## Credit risk

Bank Vozrozhdenie defines credit risk as the risk of losses due to non-fulfillment, delayed or incomplete fulfillment by a debtor of his financial obligations, as stipulated by a credit agreement. The Bank assumes credit risks in lending operations with all types of counterparties (corporate clients, financial organizations and individuals).

Efficient credit risk management is a priority in the course of the Bank's business. Bank Vozrozhdenie has a system of authorizations and limits on products that carry credit risk.

The Bank has established a Credit and Investment Committee (CIC), which is responsible for managing credit risk efficiently and consists of various bodies and subcommittees:

- The CIC main body is responsible for general issues relating to managing credit risk and defining and implementing credit policy as part of the Bank's approved development strategy
- The CIC minor body deals with issues relating to implementing credit policy when offering products that carry credit risk to clients and when making investments
- The subcommittee on corporate clients is responsible for managing credit risk and implementing credit policy in the corporate segment
- The subcommittee on retail lending is responsible for managing credit risk and implementing credit policy in the retail segment
- The subcommittee on bank cards is responsible for managing credit risk and implementing credit policy when offering bank cards that carry credit risk

The subcommittees and managers responsible for individual lending are empowered to make decisions about accepting credit risk that restrict the maximum amount that a debtor can borrow.

As part of their authorization of decisions about lending, the subcommittees liaise with the corresponding subdivisions of the Head Office (Credit, Retail and Bank Cards departments).

Last year, to minimise credit risk and ensure that sufficient provisions for the loan portfolio are in place at all times, the Department for Credit Risk Control became one of the bodies that

must approve loan applications from branches.

The authority to disburse loans and set other types of lending limits and conditions is approved by the Management Board and are subject to quarterly review. As of the first quarter of 2010, the Bank authorises branches to issue loans independently if they meet certain criteria for the level of NPLs and returns on their financial and economic operations.

Alongside the system of authorization and decisions, Bank Vozrozhdenie's methods for managing credit risk include a centralised system for setting and regulating interest rates and tariffs, as well as a system for limiting credit risk. In addition to the overall limits, the Bank's credit policy sets planned qualitative and quantitative targets that determine the structure of the corporate loan portfolio by segment, sector and region and the structure of the loan portfolio in terms of currency and duration.

When lending to legal entities and individual entrepreneurs, preference is given to small and medium-sized enterprises. Priorities when providing clients with products carrying credit risk are also dependent on:

- The importance, profitability and creditworthiness of a client for the Bank
- The client's business sector
- The Bank's regional policy
- The amount, type, form and purpose of the loan requested

The business activity of a client who has received a loan is constantly monitored by a branch of Bank Vozrozhdenie and, where necessary, by internal divisions of Head Office: the Economic Security Service and Legal Department.

In the case of consumer lending, the Bank analyzes a borrower's financial standing, sources of income and credit history. Preference is given to the following types of clients:

- Staff and managers of large corporate clients of the Bank
- Cardholders and depositors of the Bank
- People with proved high incomes, a high social status and a decent reputation
- Clients who regularly use Bank services to make payments
- Clients with a good credit history at the Bank

To obtain loans from Bank Vozrozhdenie, borrowers should offer collateral in adequate and sufficiently liquid form. When accepting real estate as collateral against a loan, the Bank uses a system of discounts for all types of property. Security provided for loans is subject to mandatory regular reviews for adequacy and liquidity.

Bank Vozrozhdenie pursues a balanced policy for provisions against losses on loans, equivalent debt and other operations, in accordance with branches' internal documents.

Control over creating provisions on products bearing credit risk is carried out at the branch level and by the relevant internal divisions of Head Office: the Credit, Retail, and Bank Card departments. Overall supervision is provided by the Department for Credit Risk Control, and day-to-day control is the responsibility of the Internal Control and Audit Service.

Bank Vozrozhdenie has developed and implemented policies and procedures to avert and minimise losses arising from credit risk. The following procedures have been introduced:

- Mandatory regular assessment of the financial standing of borrowers and the economic effectiveness of events and projects
- Assessment of the adequacy and liquidity of collateral, objective evaluation of collateral and its insurance by appraisal and insurance companies accredited by the Bank
- Ongoing monitoring of the borrower's fulfillment of his obligations to the Bank and the actual existence of the collateral
- Assessment of credit quality and the level of risk associated with loans
- Procedure for creating provisions against losses on loans and other operations
- Procedure for transferring NPLs to the Department for Legal Enforcement of Payments and completing follow-up work with them
- Procedure for determining and controlling the authority for issuing loans by branches and management bodies within the Bank according to loan size

In 2010, the Bank carried out work to implement a risk management strategy in accordance with the Action Plan approved by the Management Board:

- Options for further developing the front-office system and automating the collection of initial information to implement a credit rating system were considered
- A methodology for calculating capital at risk on the loan portfolio was devised
- A new edition of the Regulation on Stress Testing was approved
- The methodology for creating provisions for corporate loan portfolio



Richard Mann  
Auditing Practices Officer (CIS and Eastern Europe) at PricewaterhouseCoopers

# BANK VOZROZHDENIE AND PRICEWATERHOUSECOOPERS

20 years of working together



**“ONE OF BANK VOZROZHDENIE’S  
GREATEST STRENGTHS IS ITS CONSISTENT  
POLICY AND IMPECCABLE ADHERENCE  
TO THE ETHICAL PRINCIPLES THAT FORM  
THE BASIS OF ITS BUSINESS.”**

**Richard Mann**

Auditing Practices Officer (CIS and Eastern Europe) at PricewaterhouseCoopers

impairment according to IFRS was updated

### Market risk

The Bank distinguishes the following types of market risk: currency risk (operations on the FOREX market), interest-rate risk (bonds) and equity risk (quoted shares). Each of these is treated separately by the Bank. Limits are set for each issuer of financial instruments based on the volatility and liquidity of its securities. The volume and structure of the securities portfolio is considered not only as an income source, but also as a tool of current liquidity management. Limits on the interbank market are set according to the financial standing of a counterparty.

Decisions on managing market risk are made by the Assets and Liabilities Management Committee. It defines the volume and structure of the securities portfolio by assessing the quality of the securities based on capacity to generate income and maintenance of the necessary liquidity. The Bank's market risk is subject to regular stress tests.

Bank Vozrozhdenie carries out transactions with stocks (local shares, ADRs and GDRs of Russian issuers), although this is not a primary business. The Bank manages its equity risk mainly by establishing and adhering to limits on investments in stocks. Given the limited investments and absence of transactions involving derivatives, the Bank considers the methods set out in Central Bank Regulation No. 313-P, "On the Procedure for Calculating Market Risk by Credit Organizations" (dated 14 November 2007) as sufficient for calculating risk on the trading portfolio.

### Interest-rate risk

Interest-rate risk management is aimed at minimizing the negative impact of fluctuations in interest rates on Bank margins. The main objective of interest-rate risk management is to ensure that the Bank achieves an interest margin (the difference between interest

obtained from interest-earning assets and interest costs on interest-bearing liabilities) that is sufficient to cover operating costs and ensure profitable operations. The Bank does not consider interest-rate risk as a source of additional income and does not increase it in response to market expectations. Bank Vozrozhdenie reacts quickly to any changes in the overall level of interest rates and adjusts current base rates on funds received and allocated to meet its targets for interest income.

The Bank has an internal transfer pricing mechanism for resources. Prices for cash resources within the Bank (purchase and sale of cash between internal divisions) are regulated in accordance with the situation on the short-term capital market. This encourages internal divisions to structure their assets and liabilities in a way that ensures that interest-rate risk is liquid and profitable.

Issues relating to interest-rate risk management are regulated by the quarterly Regulation "On the Main Principles for Managing the Resources of Bank Vozrozhdenie in Roubles and Foreign Currency", the Regulation "On the Procedure for Calculating Interest-Rate Risk at Bank Vozrozhdenie", while the general parameters are defined in the Financial Plan for the year.

Mortgage loans and the possibility of their early repayment are the main sources of interest-rate risk. However, the volume of early repayments is not material. The Bank constantly monitors early repayments in its long-term loan portfolio.

The main ways of reducing interest-rate risk are balancing assets and liabilities according to dates of interest-rate adjustment and maturity, as well as regularly reviewing current rates. Base rates for funds received are defined by the Regulation "On the Main Principles



for Managing the Resources of Bank Vozrozhdenie”, which is approved by the Management Board on a quarterly basis. Rates may be adjusted during a quarter depending on changes in the Central Bank refinancing rate and rates on financial markets.

The Bank’s interest-rate risk is subject to regular stress tests. Interest-rate risks on loan and deposit operations are assessed during gap analysis in compliance with the Regulation “On Calculating Interest-Rate Risk at Bank Vozrozhdenie”. Interest-rate risk is analyzed by the Treasury at least once a month.

#### **Currency risk**

The main method for assessing and controlling currency risk is calculating open currency positions. The Bank uses Central Bank methodology to estimate the risks from maintaining open positions in foreign currencies.

Bank Vozrozhdenie adheres to a conservative currency policy that strives to restrict currency risk by minimizing open positions. The quality of assets denominated in foreign currency is monitored carefully, particularly the quality of the loan portfolio.

The Bank’s policy for managing open positions in foreign currency includes establishing external and internal limits on currency positions as well as controlling compliance with these limits.

Internal management of currency risks includes a procedure for daily revaluation of positions and a system of control over volumes and stop-limits for positions that carry currency risk. The Bank sets limits on cash and term transactions by types of transactions and currencies. All currency operations are within the limits that the Bank sets for counterparties.

The Bank periodically carries out a revaluation of assets and liabilities

and uses a stress test, which includes calculating potential losses from drastic changes in currency exchange rates. The frequency of such tests depends on the speed at which market conditions are changing and the level of currency risk. Bank Vozrozhdenie regularly analyzes the potential consequences of changes on the market.

To limit losses from anticipated changes in currency exchange rates, the Bank uses currency baskets (combinations of currencies in specific proportions). The basket consists of currencies with negatively correlated fluctuations, making the aggregate value of a basket more stable. The most obvious example is a basket consisting of US dollars and euros on the basis of the dual-currency basket of the Central Bank.

Open positions in foreign currency on the spot market are regulated in “today”, “tomorrow”, and spot transactions within the limits for correspondent banks and the National Clearing Center.

The effect of currency risk on capital at the end of a business day is evaluated using the methodology stipulated in Central Bank Regulation No. 313-P of 14 November 2007, “On the Procedure of Calculating the Size of Market Risk for Credit Organizations” and the internal Regulation “On the Procedure for Bank Vozrozhdenie Calculating the Size of Market Risks”.

#### **Stock risk**

This risk is not significant for the Bank, as transactions involving financial instruments are not a priority business. Bank Vozrozhdenie manages its stock risk mainly by establishing and monitoring limits on investments in financial instruments, as stipulated in the “Procedure for the Treasury of Bank Vozrozhdenie Conducting Transactions Involving the Securities Portfolio in 2010”. This gives a list of issuers in which securities the Treasury may invest.



Management of stock risk is regulated by the Regulation “On Managing Stock Risk at Bank Vozrozhdenie (OAO)”.

Given the limited investments and absence of transactions with derivatives, the Bank considers the methods set out in Central Bank Resolution No. 313-P of 14 November 2007, “On the Procedure for Credit Organizations Calculating the Size of Market Risk”, as sufficient for calculating trading portfolio risk.

Management of currency, interest-rate and stock risk is carried out by the Management Board, the Committee for Asset and Liability Management, and the Internal Control and Audit Service, which has constant access to all information at all stages of the management process.

### **Liquidity risk**

Liquidity risk is one of the most significant for Bank Vozrozhdenie, which has a centralised procedure for managing liquidity. A unified system operates at both internal divisions of the Head Office and branches. Most client operations (cash and settlement service, lending, deposits, etc) are carried out through the branch network. The Head Office carries out operations on financial markets, including international markets.

The liquidity-risk management system complies with both external requirements (standards set by the Central Bank) and with internal limits and operating procedures. These ensure that Bank Vozrozhdenie always has sufficient funds to meet the cash demands of its clients and counterparties in a full and timely fashion, as well as ensuring that the Bank’s business systems run smoothly.

General management and control over Bank liquidity is the responsibility of the Management Board, and is carried out on a permanent basis by the Committee for Asset and Liability Management,

which is a working committee of, and subordinate to, the Management Board. Day-to-day liquidity management is carried out by the Treasury.

The procedure for interactions between subdivisions and the control mechanism are regulated by the “Policy for Managing and Evaluating the Bank’s Liquidity” and the “Regulation on the Main Principles for Managing the Resources of Bank Vozrozhdenie in Roubles and Foreign Currency”, as well as the Financial Plan for the year. The documents are approved by the Management Board.

Liquidity risk is managed by matching time limits for returning assets placed and liabilities attracted, as well as maintaining the necessary volume of high-liquidity funds (cash, balances on correspondent accounts at the Central Bank, interbank lending, REPOs).

Bank Vozrozhdenie adheres to the following basic principles in liquidity management:

- Liquidity management is a constant, day-to-day process
- When making decisions, the Bank always gives priority to liquidity rather than profitability in case of a conflict
- Every transaction that has implications for liquidity must be taken into account when liquidity risk is calculated.

Bank Vozrozhdenie takes strict account of the maturity and size of its investments in various financial instruments. Monitoring of actual and estimated short-term liquidity is carried out every day on the basis of a payment calendar and using projections of short-term cash needs. Calculation of liquidity needs is based on:

- Ongoing compilation and revision of the current payment calendar (the calendar is compiled to reflect needs

for one day, one week, one month and three months)

- Periodic (monthly) analysis of gaps regarding the maturity of demands and liabilities

Maturity gaps are analyzed in accordance with Central Bank recommendations. Monitoring of compliance with Central Bank liquidity standards is carried out daily.

Risk of liquidity loss is analyzed by considering the Bank's dependence on the interbank market, operations by large clients, and concentration of credit risks. Particular attention is paid to key liquidity risk factors: stability of liabilities, quality and diversification of assets, and fluctuations of exchange rates and interest rates on the money market. To ensure access to refinancing, the Bank is guided by the Central Bank's Lombard List (a list of securities that can be used for REPO operations) when choosing instruments for its securities portfolio. To expand its liquidity regulation capacities, Bank Vozrozhdenie can make use of Central Bank refinancing (lending) instruments as part of a general agreement with the Central Bank on the provision of unsecured loans to credit organizations and a general agreements on loans guaranteed by assets or pledges. In 2010, the Bank did not use the Central Bank refinancing system. Stress tests are applied to liquidity risk on a regular basis.

#### **Operating risk**

Bank Vozrozhdenie conducts monitoring and management of operating risk on a regular basis. Internal divisions of Head Office and the branches collect and submit information about operating losses, both actual and potential. The unified nature and completeness of this information enables the Bank to carry out a quantitative evaluation of operating-risk indicators compared with a group of risk factors, and sources of risk can be identified. In accordance with internal documents, the Bank's

risk managers report regularly on risk events, the aim being to organise processes that will enable similar events to be avoided in the future.

To minimise operating risk, the Bank has implemented a budgeting system that even at the planning stage identifies the most costly and inefficient operations and determines priority areas of client policy.

Bank Vozrozhdenie pays particular attention to establishing and observing procedures for monitoring its business, preparing accurate financial reports and providing all of the necessary information about its activities in a timely manner.

As regards information security, particular attention is given to protecting clients' personal details and classified banking information. The Bank plays an active role in the work of the Association for Banking Information Security Standards (ABISS) and is also one of the first in the banking sector to have received a license from the Russian Federal Service for Technical and Export Control (FSTEK) to protect confidential information. The Bank's specialists have devised special methodologies for auditing information security and certifying in-house IT infrastructure. The FSTEK license applies to all branches.

The information security audit, which is conducted on an ongoing basis, reduces operating risks and ensures a level of information security that is in line with the requirements of state regulatory bodies.

To hedge operating losses, Bank Vozrozhdenie uses a broad range of insurance instruments. It has signed an agreement with a Bankers Blanket Bond as well as Directors and Officers Liability Insurance, while its property (including IT, furniture and other items) is covered by the largest insurance companies in Russia.

Country risk

The Bank’s main activities involve providing services to residents in Russia. Country risk arises primarily when carrying out transactions involving foreign currency: settlement, credit, guarantee and trading transactions in securities.

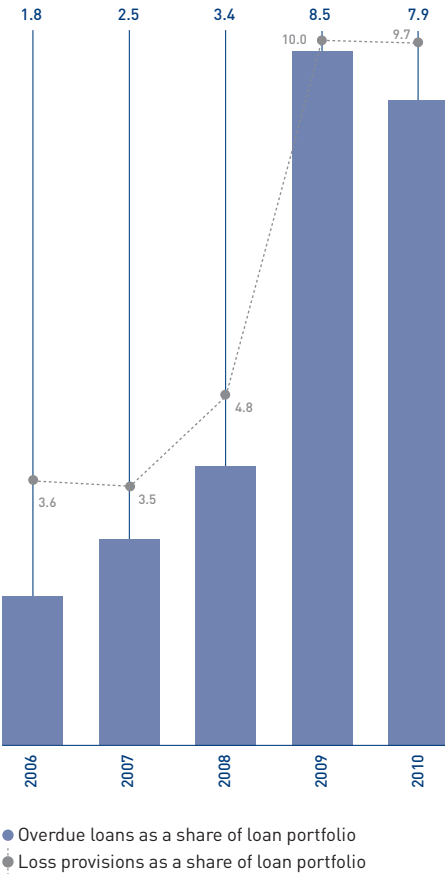
Management of country risk is regulated by the Regulation “On Organizing the Management of Country Risk at Bank Vozrozhdenie”. The Treasury is responsible for monitoring country risk.

To evaluate country risk, the Bank uses ratings from S&P and Moody’s and classifications from Central Bank documents.

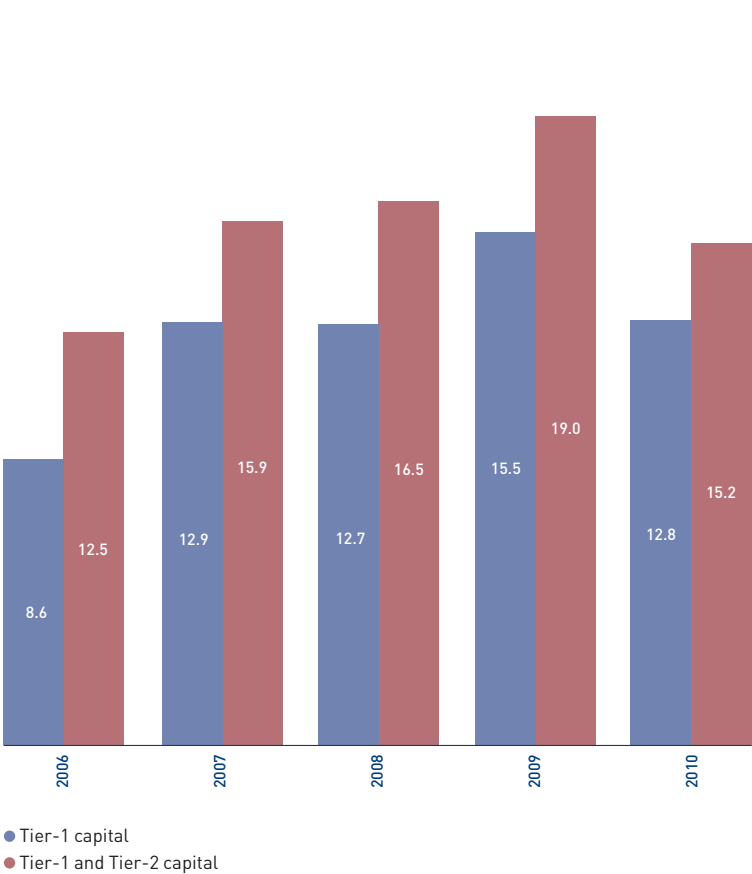
The level of country risk that is acceptable for the Bank is ‘0’ and ‘1’, according to the classification of the export credit agencies that are signatories to the agreement with OECD member states, “On the Main Principles of Providing and Using Export Credits With Official Support”; and a rating of at least ‘BBB’ according to S&P’s system or the equivalent Moody’s rating; while countries in the first group of offshore territories in Central Bank Regulation No. 1317-U, dated 7 August 2003, are also acceptable.

All other risks are subject to individual examination and evaluation until a transaction is completed, while adequate provisioning must be made. As a rule, country risk is analyzed when reviewing applications for

Level of credit risk



Capital adequacy, %

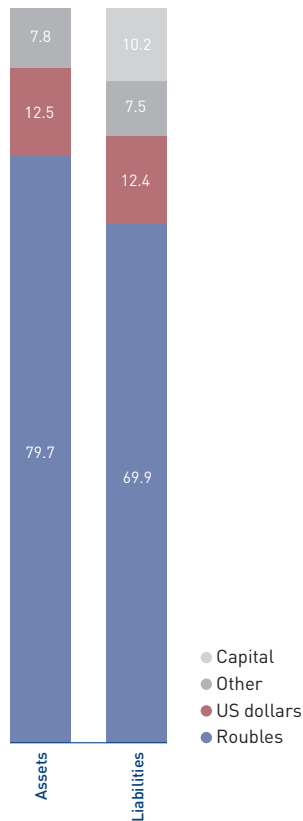


loans and bank guarantees and when implementing currency control.

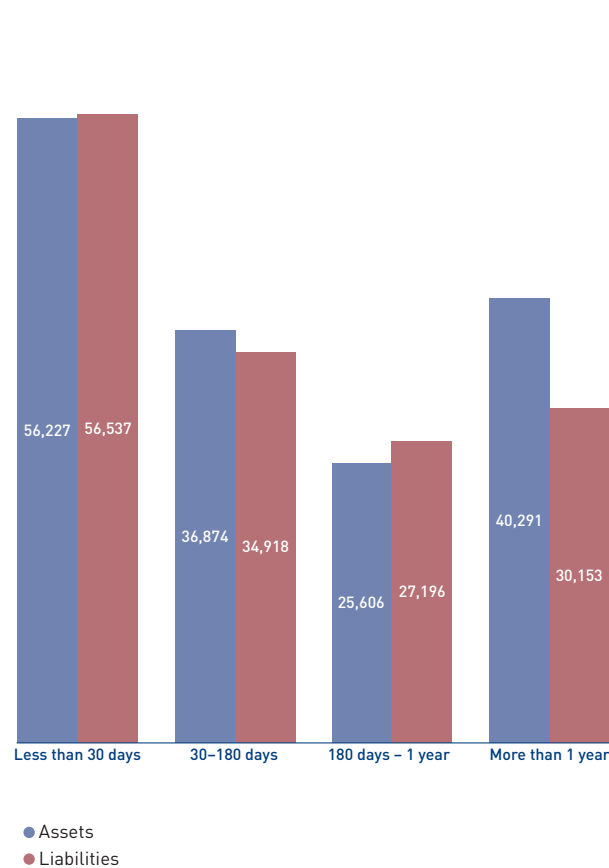
Development of the risk management system

In 2011, Bank Vozrozhdenie plans to continue developing its risk management system. Key priorities will be streamlining the Risk Map, developing the system of key risk indicators and resources for controlling them efficiently, and streamlining the system of limits based on the key risk indicators. In addition, the Bank will focus its efforts on developing the organization of risk management at its branches and automate risk management processes further.

Currency structure of assets and liabilities, %



Maturity structure of assets and liabilities, RUB million



# Social Responsibility

## Human resources

Bank Vozrozhdenie is committed to developing the full potential of all employees. Its key HR priorities are motivating employees to achieve key business goals, training staff to provide quality customer service, developing professional potential, and strengthening the corporate culture. In working towards these aims, the Bank constantly strives to comply with all labor legislation and maintain a balance between the interests of the employer and employees.

One of the main aims is to help staff gain further qualifications. In 2010, every new employee and every other full-time one took part in various educational and training events, and 3,000 people increased their professional skills.

Employees receive training on courses and via distance learning, the latter being the priority. All employees have access to the Study and Development Portal, which they can use for training and testing and to take part in discussions regarding various professional issues. The subjects most in demand in 2010 included retail and corporate banking products, automated banking systems, signs of counterfeiting and rules for checking banknotes, conducting negotiations, and information security. In 2010, some

2,600 employees used distance learning to gain further qualifications.

There are two types of courses at Bank Vozrozhdenie: those held in-house and those at higher education institutions. Last year, 1,200 employees took part in 22 in-house corporate seminars, including Sales to Corporate Clients and Insuring Borrowers' Loans Using a Collective Scheme. Another 250 people attended courses in higher education institutions on subjects such as economics, jurisprudence, accounting, new banking technologies and security. Overall, the Bank invested RUB 7.9 million in developing employees' professional skills last year.

One strategic priority in the area of employee development is creating a pool of qualified managers. The Bank has a program for creating a pool from experienced employees, which includes regular seminars and training aimed at developing managerial, leadership and effective communication skills.

Another important part of the Bank educational programs is work with further and higher education institutions to organise and offer work experience for students, devise graduate training schemes, and arrange grants and work placements. Bank Vozrozhdenie is developing partnerships with the State Academy of Finance, North-West State University,

Rostov-on-Don State University of Economics, and Stavropol State University. In 2010, 23 students from these institutions received a grant from the Bank and 67 students received work experience.

### **Environment**

Care about the environment is an integral part of corporate social responsibility for Bank Vozrozhdenie, which makes every effort to minimise any negative effect of its business on the natural world around us.

The current business has little impact on the environment, as it involves providing banking services, which do not generate emissions into the atmosphere or the water supply. At the same time, the Bank recognises that it has an indirect effect on the environment through its use of electricity, vehicles, etc, and the management pays particular attention to reducing this.

Bank Vozrozhdenie controls its energy consumption and strives to use resources as efficiently as possible. It is introducing new lighting technologies and optimizing the use of heating at offices, while it regularly replaces office and electrical equipment with more efficient types. In addition, the air-conditioning equipment uses modern, low-impact coolants that meet international standards. Meanwhile, the Bank is taking steps to reduce its paper consumption, including phasing in electronic document processing. In 2010, the volume of paper used was reduced by 1.2%.

Each year, the Bank upgrades its vehicle fleet, while working constantly to reduce unnecessary fuel consumption and exhaust emissions. At present, more than 80% of its vehicles comply with Euro-3 standards and 37% with Euro-4 standards. In 2011, the drive to phase in more environmentally friendly vehicles will continue.

Disposing of old products and equipment is a responsibility that Bank Vozrozhdenie takes seriously. Vehicles are repaired and serviced only at specialist centers, while office and technical equipment, tires, batteries and other spent resources are sent to specialist companies for disposal.

### **The Bank and society**

Bank Vozrozhdenie pursues its social responsibility policy closely, in the belief that care of employees and clients should be accompanied by efforts to improve society in the regions where the Bank is present. The main social priorities are education, art, culture and sport.

### **Education and child development**

The Bank traditionally supports initiatives to foster the creative potential of Russia's younger citizens. In 2010, together with insurer Rosgosstrakh, it arranged the Kids for Kids Creative Olympics in Moscow Region and St Petersburg, as a result of which 13 children's theatre studios were opened. The unique project, which was organised in 2008 with support from the government of Moscow Region, is far from over: its ideas continue to prosper in everyday life. The Olympics enabled over 500 young people from Moscow Region to experience the world of theater and encouraged them to develop their talents.

In 2010, Bank Vozrozhdenie provided support for the Look at Childhood social project and competition, which was organised by the city administration of Volzhsky in Volga Region. The aim of the event was to find and support young, talented teachers in the city's general and pre-school education system and raise the prestige of the teaching profession.

For several years, the Bank has provided financial assistance to the most promising students at leading Russian universities and institutes in the regions where it operates. In 2010,

students from the Stavropol State University and Rostov State University of Economics were awarded scholarships. Those able to apply for the scholarships were students with high marks in specialist subjects who are active in the day-to-day life of their universities.

### Art and culture

Priority social investments by Bank Vozrozhdenie include projects carried out by museums and theaters and historical and cultural preservation projects.

From March to May 2010, the Bank sponsored a tour of 20 cities in Moscow Region by Voskresenye (Sunday), the last in the 30-year history of the legendary rock-and-roll group. In most of the cities, the group was playing for the first time. Around 15,000 people attended the concerts.

In honor of the 65th anniversary of Victory Day, Bank Vozrozhdenie produced a collection of stories and accounts from soldiers who took part in World War II. Entitled *The Marathon of Memory*, it contains unique media material and personal accounts of Bank employees about their relatives who served. Together with the newspaper *Volgodonskaya Pravda*, the Bank also implemented a special project called The Victors' Parade: the newspaper published 44 essays by contemporaries about World War II. As part of the project, a photo exhibition of heroes from the war was also held in Volgodonsk.

In 2010, as in previous years, the Bank sponsored the 9th Moscow Easter Festival, which was held in over 30 Russian cities. Led by the renowned conductor, Valery Gergiev, the Mariinsky Theater symphony orchestra performed on Victory Day at two major concert locations in Moscow. The festival was organised with support from President Dmitry Medvedev, the Moscow City Government and the Culture Ministry, and had the blessing of Kirill, the

Orthodox Patriarch of Moscow and All Russia.

In summer 2010, Bank Vozrozhdenie was the general sponsor of events to celebrate the 1000th anniversary of Yaroslavl, the 60th anniversary of the jubilee of Volgodonsk, and the 56th anniversary of the founding of Volzhsk. In Yaroslavl, the Bank sponsored the creation of one of the most prestigious recreational areas in the city, the Yaroslavl 1000th Anniversary Park. In Volgodonsk, together with the city's Museum of the Environment and History and the municipal archive, the Bank implemented the project Street of My Fate, launching a series of articles dedicated to the city's founders and builders, as well as people who played a key role in establishing Volgodonsk and its image today.

Last year, Bank Vozrozhdenie was a partner in the 10th national jubilee dancing tournament Novorossiisk Rendezvous 2010, which was organised by the city administration. It was also a partner in the Selected Classics of Modern Art in Russia exhibition, organised by the Rostov Museum of Regional Ethnography and the Yekaterinburg Gallery of Modern Art. The exhibition featured 50 copies of lithographs, etchings and engravings by world-famous artists, including Mark Chagall, Pablo Picasso, and Salvador Dali.

In winter 2010, Bank Vozrozhdenie sponsored the seventh international festival of war films named after Sergei Bondarchuk, entitled Volokolamsk Front. Twelve feature-length films and over 20 documentaries competed for prizes, and the festival included meetings with film crews and other events dedicated to the world of cinema.



# Financial Statements



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[www.pwc.ru](http://www.pwc.ru)

**SUMMARISED INTERNATIONAL FINANCIAL  
REPORTING STANDARDS STATEMENTS  
DERIVED FROM THE AUDITED INTERNATIONAL  
FINANCIAL REPORTING STANDARDS  
FINANCIAL STATEMENTS  
31 DECEMBER 2010**

## **Independent Auditor's Report**

To the Shareholders and Board of Directors of Bank Vozrozhdenie:

The accompanying summarised financial statements have been derived from the financial statements of Bank Vozrozhdenie (hereinafter - "the Bank") for the year ended 31 December 2010, prepared in accordance with international financial reporting standards.

### **Management's Responsibility for the Summarised Financial Statements**

These summarised financial statements are the responsibility of the Bank's management.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

We have audited the financial statements of the Bank for the year ended 31 December 2010, from which these summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 28 March 2011 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

### **Opinion**

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Bank's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

28 March 2011  
Moscow, Russian Federation

# BANK VOZROZHDENIE

## SUMMARISED INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL STATEMENTS DERIVED FROM THE AUDITED INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

In millions of Russian Roubles	31 December 2010	31 December 2009
<b>ASSETS</b>		
Cash and cash equivalents	32,151	34,101
Mandatory cash balances with the CBRF	1,072	868
Trading securities	12,182	9,756
Due from other banks	5,860	6,363
Loans and advances to customers	104,046	85,205
Investment securities available for sale	2,043	1,312
Premises, equipment and intangible assets	3,132	3,102
Other financial assets	1,644	1,236
Other assets	4,028	3,660
<b>TOTAL ASSETS</b>	<b>166,158</b>	<b>145,603</b>
<b>LIABILITIES</b>		
Due to other banks	7,772	4,368
Customer accounts	130,334	113,129
Debt securities in issue	5,794	6,364
Subordinated loans	4,293	4,578
Other financial liabilities	611	576
Other liabilities	494	302
<b>TOTAL LIABILITIES</b>	<b>149,298</b>	<b>129,317</b>
<b>EQUITY</b>		
Share capital	250	250
Share premium	7,306	7,306
Retained earnings	9,227	8,660
Other reserves	77	70
<b>TOTAL EQUITY</b>	<b>16,860</b>	<b>16,286</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>166,158</b>	<b>145,603</b>

Approved for issue and signed on behalf of the Board of Directors on 28 March 2011.

D.L. Orlov  
President

A.A. Novikova  
Chief Accountant




For a better understanding of the Bank's financial position and the results of its operations for the year, and of the scope of our audit, these summarised financial statements should be read in conjunction with the financial statements, from which these summarised financial statements have been derived, and audit report thereon. Copies of audited financial statements can be obtained from Bank Vozrozhdenie.

**BANK VOZROZHDENIE**  
**SUMMARISED INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL STATEMENTS**  
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**STATEMENT OF COMPREHENSIVE INCOME**

In millions of Russian Roubles	2010	2009
Interest income	13,600	16,954
Interest expense	(8,109)	(8,628)
<b>Net interest income</b>	<b>5,491</b>	<b>8,326</b>
Provision for loan impairment	(1,872)	(4,752)
<b>Net interest income after provision for loan impairment</b>	<b>3,619</b>	<b>3,574</b>
Fee and commission income	4,295	4,027
Fee and commission expense	(360)	(298)
Losses less gains/Gains less losses from trading securities	(90)	204
Gains from trading in foreign currencies	3,139	3,513
Foreign exchange translation losses	(2,794)	(2,939)
Foreign exchange translation losses less gains	(24)	(3)
Gains less losses from disposals of investment securities available for sale	15	18
Dividend income	2	1
Other operating income	225	147
Administrative and other operating expenses	(7,180)	(6,325)
Provision for impairment of other assets	(121)	-
<b>Profit before tax</b>	<b>726</b>	<b>1,919</b>
Income tax expense	(145)	(702)
<b>PROFIT FOR THE YEAR</b>	<b>581</b>	<b>1,217</b>
Other comprehensive income:		
Available-for-sale investments:		
Gains less losses/(Losses less gains) arising during the year	(5)	26
Income tax credit/(expense) recorded directly in other comprehensive income	12	(8)
<b>Other comprehensive income for the year</b>	<b>7</b>	<b>18</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>588</b>	<b>1,235</b>
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RR per share)		
Ordinary shares	23	49
Preference shares with determined dividend amount	25	50

For a better understanding of the Bank's financial position and the results of its operations for the year, and of the scope of our audit, these summarised financial statements should be read in conjunction with the financial statements, from which these summarised financial statements have been derived, and audit report thereon. Copies of audited financial statements can be obtained from Bank Vozrozhdenie.

**BANK VOZROZHDENIE**  
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**STATEMENT OF CHANGES IN EQUITY**

In millions of Russian Roubles	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 31 December 2008	250	7,306	52	7,457	15,065
Total comprehensive income for 2009	-	-	18	1,217	1,235
Dividends declared	-	-	-	(14)	(14)
Balance at 31 December 2009	250	7,306	70	8,660	16,286
Total comprehensive income for 2010	-	-	7	581	588
Dividends declared	-	-	-	(14)	(14)
Balance at 31 December 2010	250	7,306	77	9,227	16,860

For a better understanding of the Bank's financial position and the results of its operations for the year, and of the scope of our audit, these summarised financial statements should be read in conjunction with the financial statements, from which these summarised financial statements have been derived, and audit report thereon. Copies of audited financial statements can be obtained from Bank Vozrozhdenie.

**BANK VOZROZHDENIE**  
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**STATEMENT OF CASH FLOWS**

In millions of Russian Roubles	2010	2009
Cash flows from operating activities		
Interest received	13,199	16,244
Interest paid	[8,448]	[7,978]
Fees and commissions received	4,267	4,014
Fees and commissions paid	[360]	[298]
Net income received from trading in trading securities	19	47
Net income received from trading in foreign currencies	345	613
Other operating income received	217	160
Administrative and other operating expenses paid	[6,575]	[5,840]
Income tax paid	[633]	[580]
Cash flows from operating activities before changes in operating assets and liabilities	2,031	6,382
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	[204]	[713]
Net increase in trading securities	[2,541]	[484]
Net decrease/(increase) in due from other banks	506	[4,338]
Net (increase)/decrease in loans and advances to customers	[20,568]	2,114
Net increase in other financial assets	[425]	[340]
Net decrease in other assets	148	209
Net increase/(decrease) in due to other banks	3,126	[17,679]
Net increase in customer accounts	17,978	21,062
Net (decrease)/increase in debt securities in issue	[333]	416
Net increase in other financial liabilities	26	95
Net increase in other liabilities	41	10
Net cash (used in)/from operating activities	[215]	6,734

In millions of Russian Roubles	2010	2009
<b>Cash flows from investing activities</b>		
Acquisition of investment securities available for sale	(1,589)	(786)
Proceeds from disposal of investment securities available for sale	876	1,916
Acquisition of premises, equipment and intangible assets	(511)	(382)
Proceeds from disposal of premises, equipment and intangible assets	8	4
Income from disposal of non-current assets available for sale	63	-
Proceeds from disposal of investment properties	7	-
Dividend income received	2	1
<b>Net cash (used in)/from investing activities</b>	<b>(1,144)</b>	<b>753</b>
<b>Cash flows from financing activities</b>		
Receipt of funding from international financial institutions	407	766
Repayment of subordinated loans	(395)	-
Receipt of subordinated loans	91	-
Repayment of syndicated loans	-	(3,307)
Dividends paid	(14)	(14)
<b>Net cash from/(used in) financing activities</b>	<b>89</b>	<b>(2,555)</b>
Effect of exchange rate changes on cash and cash equivalents	(680)	679
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,950)</b>	<b>5,611</b>
Cash and cash equivalents at the beginning of the year	34,101	28,490
<b>Cash and cash equivalents at the end of the year</b>	<b>32,151</b>	<b>34,101</b>

Approved for issue and signed on behalf of the Board of Directors on 28 March 2011.

D.L. Orlov  
President



A.A. Novikova  
Chief Accountant



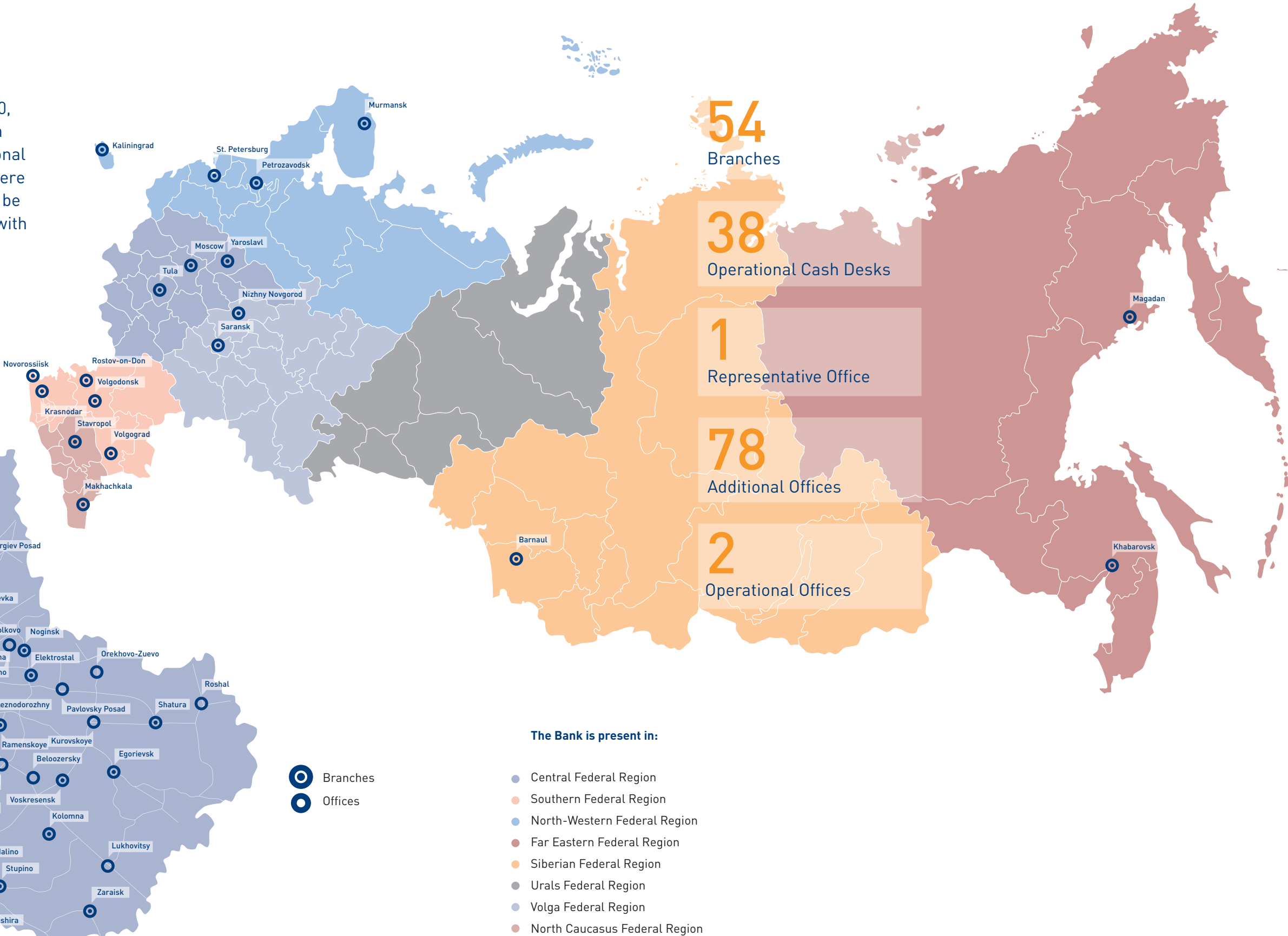
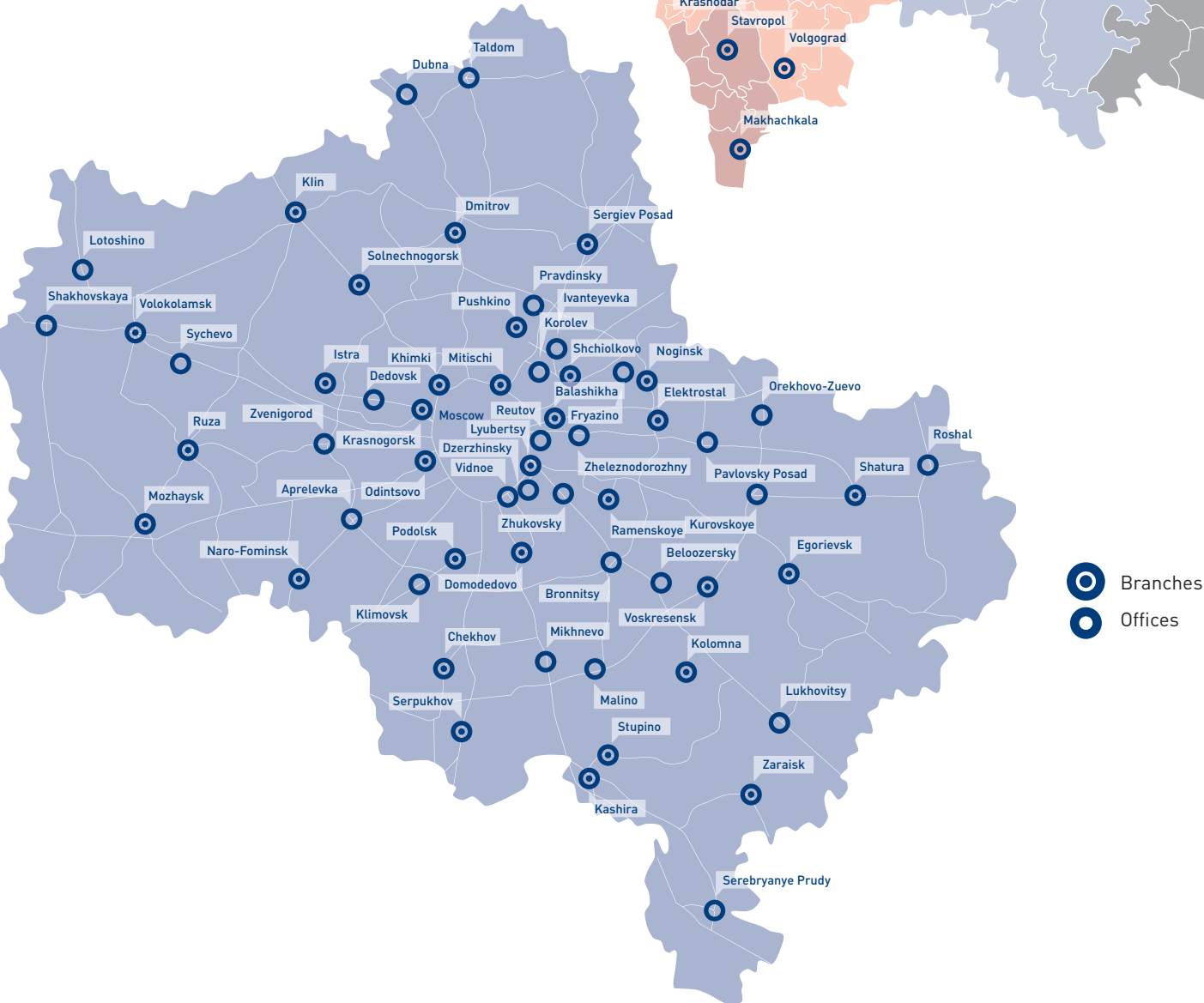
For a better understanding of the Bank's financial position and the results of its operations for the year, and of the scope of our audit, these summarised financial statements should be read in conjunction with the financial statements, from which these summarised financial statements have been derived, and audit report thereon. Copies of audited financial statements can be obtained from Bank Vozrozhdenie.



# Branches in Russia

One characteristic of the Bank’s business is its geographic diversification. As of 31 December 2010, its network consists of 173 branches in 21 Russian regions. The Bank pursues a policy of steady regional development and plans to focus on the regions where it is already present. The number of branches will be increased in line with demand in each region and with the business model.

## Offices in Moscow Region



# Offices of Bank Vozrozhdenie

## Offices in Moscow

### Central Branch

7/4, Bldg. 1, Luchnikov Per., GSP,  
Moscow, 101990

[Ms. Natalia V. Barkhotkina](#)

### Operational Cash Desk:

2, Bldg. 1, Novovladykinsky Proezd,  
Moscow, 127106

### Ilyinsky

3, Bldg. 1, Ostryakova Street, Moscow,  
125067

[Mr. Vakhtang Y. Djariani](#)

### Ulyanovsky

33, Bldg. 4, Vesiolaya Street, Moscow,  
115516

[Ms. Tatiana B. Sukhotskaya](#)

### Additional Offices:

23, Shkolnaya Street, Vidnoye, Leninskiy  
District, Moscow Region, 142700  
Sovkhoz im. Lenina, Leninskiy District,  
Moscow Region, 142715

### Additional Offices of Lyubertsy branch:

2, Maliy Mogiltsevskiy Per., Moscow,  
119002  
50 a, Bldg. 3, Zemlyanoy Val, Moscow,  
109028

## Offices in Moscow Region

### Balashikha

45, Lenina Prospekt, Balashikha,  
143900

### Additional Offices:

4, Bldg. 2, Savvinskoye Shosse,  
Zheleznodorozhniy, 143980  
19/10, Lenina Street, Reutov, 143960

### Chekhov

22, Chekhova Street, Chekhov, 142300

[Ms. Valentina A. Bolshakova](#)

### Additional Office:

1, Molodyozhnaya Street, Chekhov,  
142300

### Operational Cash Desk:

8, Vishniovyi Bulvar, Chekhov, 142300

### Dmitrov

28, Professionalnaya Street, 141800,

[Mr. Vitaly M. Soloviov](#)

### Additional Offices:

25, Bogolubova Prospekt, Dubna,  
141980  
17, Karla Marksa Pl., Taldom, 141900  
1, Sovetskaya Pl., Dmitrov, 141800

### Domodedovo

54a, Kashirskoye Shosse, Domodedovo,  
142000

[Ms. Tatiana A. Fomicheva](#)

### Operational Cash Desk:

1d, Zaborje Street, Vostryakovo District,  
Domodedovo, 142006

### Egorievsk

106/5, Sovetskaya Street, Egorievsk,  
140300

[Ms. Lyudmila V. Baykova](#)

### Elektrostal

16, Pobedy Street, Elektrostal, 144007

[Ms. Natalia A. Gnedkova](#)

### Additional Offices:

22, Karla Marksa Street, Elektrostal,  
144001

21, Krasnaya Street, Elektrostal, 144005

10, Krasnaya Street, Elektrostal, 144002

### Istra

81, Lenina Street, Istra, 143500

[Ms. Irina Yu. Kurishko](#)

### Operational Cash Desks:

47a, Moskovskaya Street, Istra, 143500

1 Pobedi Street, Dedovsk, 143530

### Kashira

12, Sovetskaya Street, Kashira, 142900

[Ms. Tatiana A. Murashkina](#)

### Khimki

22/1, Moskovskaya Street, Khimki,  
141400

[Ms. Natalia I. Shabunina](#)

**Additional Offices:**

16, Bibliotchnaya Street, Khimki,  
141400  
13, Bldg. 1, Lavochkina Street, Khimki,  
141400  
1 Bulvar Stroiteley, Krasnogorsk,  
143407

**Operational Cash Desks:**

22/1, Moskovskaya Street, Khimki,  
141400  
12a, Lavochkina Street, Khimki, 141400  
(payments to an address of Motor  
Licensing and Inspection Department)  
20a, Mayakovskogo Street, Khimki,  
141400 (payments to address of the  
organizations)  
40, Yubileyniy Prospekt, Khimki, 141400

**Klin**

8a, Karla Marksa Street, Klin, 141600  
[Ms. Olga N. Kalenova](#)

**Kolomna**

340, Oktyabrskoy Revolyutsii Street,  
Kolomna, 140408  
[Mr. Mikhail M. Kostenevich](#)

**Additional Offices:**

15, Kirova Proezd, Kolomna, 140411  
30a/1, Zhukovskogo Street, Lukhovitsy,  
140500  
39, Kudryavtseva Street, Ryazan, 390000

**Krasnogorsk**

38b, Lenina Street, Krasnogorsk,  
143400  
[Mr. Andrey G. Pokusaev](#)

**Additional Offices:**

11, Krasnogorskiy Bulvar, Krasnogorsk,  
143400  
8, Rechnaya Street, Krasnogorsk,  
143400

**Operational Cash Desks:**

21a, Lenina Street, Krasnogorsk,  
143400  
GIBDD, Raitsentri-3, Krasnogorsk,  
143400  
26, Zavodskaya Street, Krasnogorsk,  
143400

**Lyubertsy**

3, Krasnoarmeyskaya Street, Lyubertsy,  
140005  
[Mr. Maksim V. Semenenko](#)

**Additional Offices:**

6, Dmitriya Donskogo Pl., Dzerzhinskiy,  
140091

**Mitishi**

12, Scherbakova Street., Mitishi,  
141008  
[Ms. Nadezhda E. Dedyeva](#)

**Additional Office:**

1, Makarenko Prospekt, Korolev, 141075

**Mozhaysk**

4, Krasnyh Partizan Street, Mozhaysk,  
143200  
[Mr. Andrey Yu. Kozlov](#)

**Naro-Fominsk**

9, Marshala Zhukova Street,  
Naro-Fominsk, 143300  
[Ms. Olga I. Egereva](#)

**Additional Office:**

65, Aprelevskaya Street, Aprelevka,  
143360

**Noginsk**

81, Rogozhskaya Street, Noginsk,  
142400  
[Ms. Natalia Yu. Makarova](#)

**Additional Offices:**

6, Bolshoi Zheleznodorozhny Proezd,  
Pavlovsky Posad, 142500  
52, 40 Let Oktyabria Street, Kurovskoye,  
142640  
3, Tsentralny Bulvar, Orekhovo-Zuevo,  
142600

**Operational Cash Desk:**

2a, Bldg. 1, Sovetskoy Konstitutsii  
Street, Noginsk, 142403

**Odintsovo**

16, Marshala Zhukova Street, Odintsovo,  
143000  
[Ms. Elena I. Oreshnikova](#)

**Additional Office:**

1, Svobody Street, Odintsovo, 143000

**Podolsk**

11, Kirova Street, Podolsk, 142100  
[Ms. Valentina A. Rylkova](#)

**Operational Cash Desks:**

38, Pravdy Street, Podolsk, 142115  
1, Oktyabrskaya Pl., Klimovsk, 142080

**Pushkino**

11, Moskovsky Prospekt, Pushkino,  
141200  
[Ms. Tatiana V. Miklyayeva](#)

**Additional Offices:**

32, Pervomayskaya Street, Ivanteyevka,  
141250  
17, Sadovaya Street, Pravdinsky, 141260

**Ramenskoye**

3, Krasnoarmeyskaya Street,  
Ramenskoye, 140100  
[Mr. Aleksandr B. Sasin](#)

**Additional Offices:**

18/11, Lomonosova Street, Zhukovsky,  
140180  
52, Novo-Bronnitskaya Street,  
Bronnitsy, 140170  
5, Pionersky Per., Bronnitsy, 140170

**Operational Cash Desks:**

131, Mikhlevicha Street, Ramenskoye,  
140100  
53, Bldg. 1, Komsomolsky Per.,  
Bronnitsy 140170

**Ruza**

27, Sotsialisticheskaya Street, Ruza,  
143100  
[Ms. Irina G. Potapova](#)

**Operational Cash Desk:**

27, Sotsialisticheskaya Street, Ruza  
143100

**Sergiev Posad**

52, Krasnoy Armii Prospekt,  
Sergiev Posad, 141300  
[Ms. Tamara D. Teslya](#)

**Operational Cash Desk:**

51, Bldg. 1, Novo-Uglichscoe Shosse,  
Sergiev Posad, 141300

**Serpukhov**

3b, Gorkogo Street, Serpukhov, 142200  
[Ms. Marina A. Grosh](#)

**Additional Offices:**

Mikrorayon G, Pushchino, 142290

**Operational Cash Desks:**

2, Mikrorayon V, Pushchino, 142290  
20, Mikrorayon G, Pushchino, 142290

**Shatura**

6, Sportivnaya Street, Shatura, 140700  
[Ms. Ekaterina N. Tarasova](#)

**Additional Office:**

14, Kosyakova Street, Roshal, 140730

**Shchiolkovo**

5, Lenina Pl., Shchiolkovo, 141100

[Mr. Sergey N. Nikolaev](#)

**Operational Cash Desks:**

9a, Polevaya Street, Fryazino, 141120

1a, Talsinskaya Street, Shchiolkovo,  
141100

2, Tsiolkovskogo Street, Shchiolkovo-3,  
141100

**Solnechnogorsk**

1, Baranova Street, Solnechnogorsk,  
141500

[Mr. Aleksey A. Shcherbakov](#)

**Operational Cash Desk:**

63th km of Leningradskoe Shosse,  
Solnechnogorsk, 141500

**Stupino**

56/30a, Andropova Street, Stupino,  
142800

[Mr. Aleksandr P. Zaytsev](#)

**Additional Offices:**

6, Promyshlennaya Street, Malino,  
Stupino District, 142850

26, Pobedy Prospekt, Stupino, 142800

1, Gorkogo Street, Mikhnevo, 142840

**Operational Cash Desks:**

21, Andropova Street, Stupino, 142800

Vladenie 6, Donskaya Street, Malino,  
Stupino District, 142850

**Volokolamsk**

10, Oktiabrskaya Pl., Volokolamsk,  
143600

[Ms. Aleksandra P. Vasyukova](#)

**Additional Offices:**

36, 1st Sovetskaya Street,  
Shakhovskaya, 143700

2, Pochtovaya Street, Lotoshino, 143800

**Operational Cash Desk:**

6, Nerudnaya Street, Sychevo,  
Volokolamsk District, 143611

**Voskresensk**

34, Pobedy Street, Voskresensk, 140205

[Ms. Irina A. Chichurina](#)

**Additional Offices:**

1, Rossiyskaya Street, Beloozersky,  
Voskresensk District, 140250

14, Kolomenskaya Street,  
Voskresensk-3, 140200

**Zaraisk**

1, Uritskogo Pl., Zaraisk, 140600

[Ms. Galina N. Shmatkova](#)

**Additional Office:**

4, Yubileyny Mikrorayon, Serebryanye  
Prudy, 142940

**Zvenigorod**

10, Pochtovaya Street, Zvenigorod,  
143180

[Ms. Tamara N. Starostina](#)

**Bank Offices  
in Other Regions of Russia****Barnaul**

43a, Avtotransportnaya Street, Barnaul,  
Altayskiy Kray, 656064

[Mr. Andrey I. Shagaev](#)

**Additional Offices:**

14, Brestskaya Street, Barnaul, Altaysky  
Kray, 656015

40a, Shumakova Street, Barnaul,  
Altaysky Kray, 656064

227, Pavlovsky Trakt, Barnaul, Altaysky  
Kray, 656064

**Kaliningrad**

12, Sovestky Prospekt, Kaliningrad,  
236000

[Ms. Tamara N. Konoplina](#)

**Khabarovsk**

10, Dikopoltseva Street, Khabarovsk,  
680013

[Mr. Gleb E. Klimenko](#)

**Additional Offices:**

19, Molodogvardeyskaya, Komsomolsk-  
on-Amur, 681000

74, Karla Marksa Street, Khabarovsk,  
680000

**Krasnodar**

324, Severnaya Street, Krasnodar,  
350000

[Ms. Irina G. Chudinova](#)

**Additional Office:**

5, Tramvaynaya Street, Karasunskiy  
okrug, Krasnodar, 350000

**Magadan**

3, Portovaya Street, Magadan, 685024

[Ms. Aleksandra A. Usacheva](#)

**Makhachkala**

4, Pushkina Street, Makhachkala,  
Dagestan Republic, 367012

[Ms. Natalia B. Pavlova](#)

**Murmansk**

14, Rogozerskaya Street, Murmansk,  
183039

[Mr. Evgeny N. Maksakov](#)

**Additional Office:**

23, Knipovicha Street, Murmansk,  
183039

**Nizhny Novgorod**

106a, Belinskogo Street, Nizhny  
Novgorod, 603006

[Ms. Natalia V. Morozova](#)

**Additional Offices:**

1, Efremova Street, Nizhny Novgorod,  
603003

1b, Vedenyapina Street, Nizhny  
Novgorod, 603016

106b, Belinskogo Street, Nizhny  
Novgorod, 603016

**Novorossiysk**

32, Engelsa Street, Novorossiysk,  
Krasnodarskiy Kray, 353900

[Mr. Alexandr N. Metelitsa](#)

**Additional Office:**

59, Krymskaya Street, Anapa, 353440

**Petrozavodsk**

P.O. Box 29, 15, Andropova Street,  
Petrozavodsk, Republic of Karelia,  
185028

[Mr. Igor' P. Sachuk](#)

**Rostov-on-Don**

97/243, Budionovskiy Prospekt,  
Rostov-on-Don, 344011

[Ms. Jana V. Gamaley](#)

**Additional Offices:**

1, Gagrinskaya Street, Oktyabrskiy  
District, Rostov-on-Don, 344016

15v, Instrumentalnaya Street, Taganrog,  
347923

### **Saransk**

14, L. Tolstogo Street, Saransk,  
Republic of Mordovia, 430005

**Mr. Sergey V. Naumkin**

#### **Additional Office:**

33/1, Kommunisticheskaya Street,  
Leninsky District, Saransk, Republic of  
Mordovia, 430000

### **St. Petersburg**

60, 9th Liniya Vasilievskogo Ostrova,  
St. Petersburg, 199004

**Mr. Igor I. Kaplenov**

#### **Additional Offices:**

189, Liter A, Moskovsky Prospekt,  
St. Petersburg, 196066  
21, Liter A, Slavy Prospekt,  
St. Petersburg, 192239  
29, Liter A, Nekrasova Street,  
St. Petersburg, 191014  
17, Bldg 1A, Komendantskiy Prospekt,  
St. Petersburg, 197372  
22-24, Liter A, Nevskiy Prospekt,  
St. Petersburg, 191186  
10-12, Liter D, Krasnogo Tekstilshchika,  
St. Petersburg, 191124  
39/39, Liter A, Konyushennaya Street,  
Pushkin, 196601  
1, Yuzhniy Val Street, Vyborg,  
Leningradskiy Region, 188900

### **Stavropol**

3/1a, Karla Marksa Prospekt, Stavropol,  
355008

**Ms. Tatiana N. Adamenko**

#### **Additional Offices:**

43, Dzerzhinskogo Prospekt,  
Kislovodsk, 357003  
45, Prospekt Kirova, Pyatigorsk, 357500  
Railway Station, 357600, Essentuki  
26a Yunosti Prospekt, Stavropol,  
355044  
119, Kalinina Prospekt, Pyatigorsk,  
357500  
18b, 50 Let VLKSM Street, Stavropol,  
355040  
42, 22nd Syezda Prospekt (Twenty  
Second Congress Avenue), Mineralnye  
Vody, 357202  
464, Lenina Street, Stavropol, 355029

#### **Operational Cash Desks:**

58, Komsomolskaya Street, Stavropol,  
355012

35, Nizyaeva Street, Nevinnomyssk,  
357030

14, Oranzhereyniy Proezd, Pyatigorsk,  
357502

### **Tula**

5a, Revolutsii Street, Tula, 300034

**Mr. Andrey V. Shelentsov**

### **Volgodonsk**

38a, Velikoy Pobedy Bulvar, Volgodonsk,  
Rostov Region, 347371

**Mr. Alexey D. Petrakov**

#### **Additional Offices:**

96, Lenina Street, Volgodonsk, 347360  
131/1 Lenina Street, Semikarakorsk,  
Rostov Region, 346630  
33b, Sovetskaya Street, Tsimlyansk,  
Rostov Region, 347320

### **Volgograd**

11, Nevskaya Street, Volgograd, 400087

**Ms. Sofia B. Zhilina**

#### **Additional Offices:**

20, Lenina Prospekt, Volgograd, 400131  
9, Engelsa Bulvar, Volgograd, 400112  
97, Lenina Prospekt, Volzhsky,  
Volgograd Region, 404120  
62, Mira Street, Volzhsky, Volgograd  
Region, 404105  
46, Generala Shtemenko Street,  
Volgograd, 400105  
21, Mira Street, Volgograd, 400131

### **Voronezh**

90a, 20-letia Oktyabrya Street, Leninsky  
district, Voronezh, 394006

**Ms. Natalia Ya. Popova**

### **Yaroslavl**

2, Bldg. 2, Pushkina Street, Yaroslavl,  
150000

**Ms. Svetlana V. Fedotova**

### **North-West Regional Center**

80, Bolshoy Prospekt Vasilievskogo  
Ostrova, St. Petersburg, 119106

**Mr. Yuri I. Novikov**

# Address and Contacts

**Main State Registration Number  
(OGRN):**

1027700540680

**Date of inclusion in the Unified State  
Register of Legal Entities:**

17 December 2002

**Tax Identification Number (INN):**

5000001042

**Bank Identification Code (BIC):**

044525181

**Sectoral Code for Tax Status (KPP):**

775001001

**Correspondent account with the  
Central Bank's main Moscow  
department:**

30101810900000000181

(BIC at the Operations department  
of the Central Bank's main Moscow  
department: 044525000)

**Central telephone information center:**

8-800-200-9-888 (toll-free)

(495) 777-0-888 (Moscow)

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REUTERS DEALING code: VOZM

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