

Corporate business



2010 YEAR. MEETING WITH BANK VOZROZHDENIE BUSINESS PARTNERS AT BAIKONUR SPACEPORT

Despite the overall decline in margins in the Russian banking sector, last year was a successful one for Bank Vozrozhdenie corporate business due to its commitment to prudent and conservative policy, long-term partnership relations with clients, and effective use of its broad product line.

Key goals of the corporate business in 2012 included:

- expanding the client base and increasing the share of SMEs
- strengthening the Bank's position on the corporate market
- keeping the high quality of the loan portfolio
- maintaining the diversified structure of the client base
- expanding cross-selling and increasing revenues per client
- streamlining business processes

In 2012, the number of corporate customers grew by 1.9% to over 63,400. The SME segment expanded

by 12.6% and its share in the total client base rose to 12.8%, from 11.5% in 2011. Our individual approach and partnership relations in finding solutions to clients' financial problems, as well as our broad range of banking products, were the main factors that helped to attract new corporate customers.

Client segments

Small and medium enterprises

SMEs have historically been a key client segment for us. Bank Vozrozhdenie aims to provide financing for small enterprises on the most attractive terms. It has actively developed lending through the "Co-Financing" product within the framework of partnership programmes with SME Bank, as part of the State Programme for Financing of Small and Medium Business. During the implementation of the programme in 2012, more than 500 entrepreneurs in the regions where we are present received financing for the total amount of over RUB15.5 billion. In September 2012, in cooperation with SME Bank, we launched the "FIM Tselevoi" (Special purpose financing of modernization and innovation) product under which we finance SMEs for a term of up to five years. For this new product SME Bank provided Bank Vozrozhdenie with a five-year credit line of RUB 1.5 billion. As of the end of 2012, 30 companies had already received loans totaling more than RUB700 million to develop their businesses.

At the end of 2011, the Bank launched a product to finance micro-businesses as part of the Microbusiness programme developed in cooperation with the European Bank for Reconstruction and Development (EBRD). In 2012, around 300 agreements totaling RUB 500 million were signed with clients by Bank Vozrozhdenie branches participating in the pilot programme. The maximum volume of a single loan that can be issued under the programme was increased to RUB 15 million. In addition, Bank Vozrozhdenie launched a new product to provide loans to business owners. For its implementation the Bank approved special procedures for lending approval, collateral requirements, monitoring process description and special terms of providing loans, which help to keep the quality of the loan portfolio at a high level.

During the year, the Bank continued to work with regional funds that support the development of SMEs: agreements were signed in St Petersburg and Khabarovsk and the decision was taken for work in Yaroslavl Region. Today, as part of its support for small businesses, the Bank offers its borrowers to use guarantees of the funds as collateral in 14 regions. During the year, local funds issued guarantees totaling RUB1.2 billion to secure loans to be provided by the Bank, which allowed us to grant over RUB 2.5 billion in SME financing.

Major corporate customers

Bank Vozrozhdenie seeks to maximize the use of its extensive branch network, providing large corporate customers with unified rates and standards of service, as well as ensuring a tailored approach by providing a personal client manager.

In 2012, the Bank continued to work successfully with such large customers as hypermarket chain Hyperglobus, Megapolis Trading House, Vimpelcom, retail chains Victoria, Vester and Pyaterochka, Gloria Jeans Group, Soyuzdorstroi and Modus Group, the largest network of car showrooms and repair centers in Southern Russia, as well as many others.

Major new customers of the Bank included: largest Finnish pharmaceutical holding Oriola, Ametist Group, Kosmosaviaspetsstroi and Volzhanin Group.

State-owned companies and federal and local authorities

The Bank has traditionally had strong positions in this segment in the regions where it is present, working actively with large state-owned companies as well as with federal and municipal authorities. Bank Vozrozhdenie largest customers include Russian Post, Kolomensky Avtodor, Mosoblgaz and Mostransavto.

In December 2012, the Bank again won the tender to open and service bank accounts as well as operate the payroll programme for the Finance Ministry of Moscow Region for 2013.

In 2012, the Bank continued its cooperation with Moscow Regional Highway Center. The Bank established a credit risk limit for the organization, allowing it to provide loans, credit lines and bank guarantees for carrying out subcontractor work under state contracts.

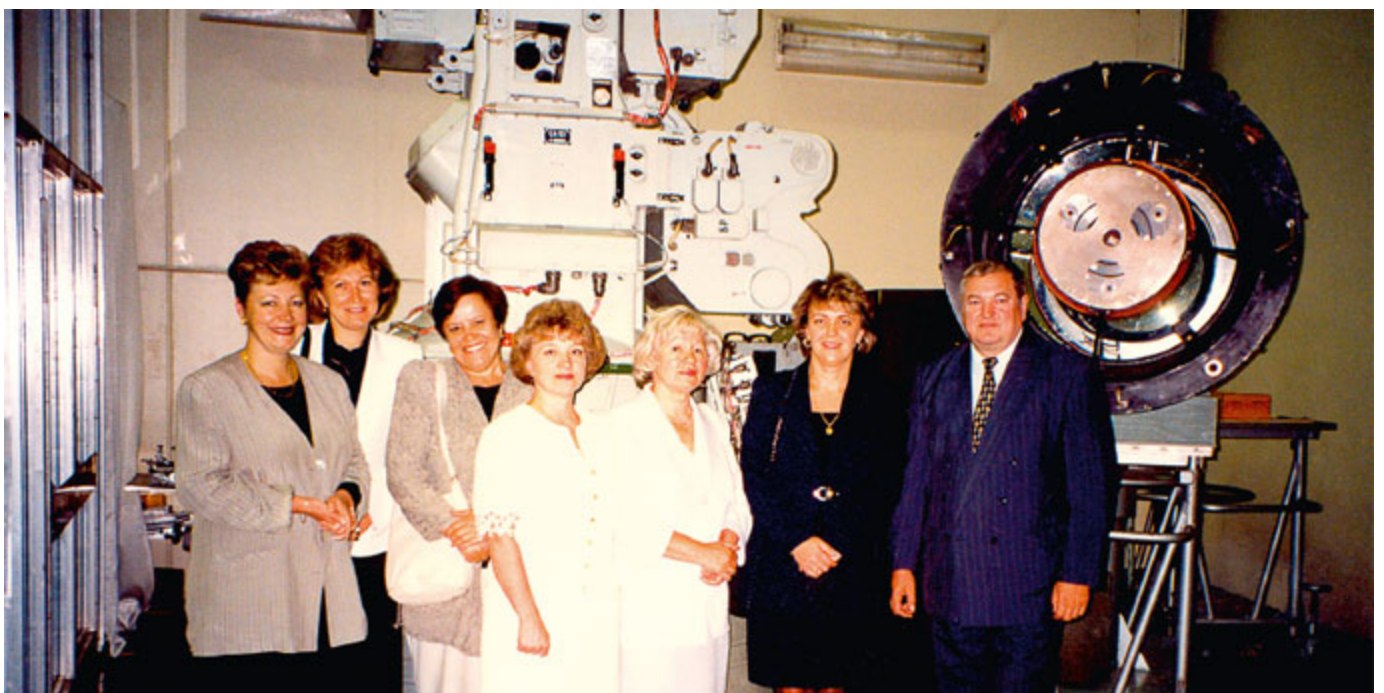
In 2012, the Bank won 26 electronic auctions for the right to lend a total of RUB 2.8 billion to municipal and federal authorities in various Russian regions.

Lending

The priority of Bank Vozrozhdenie credit policy in 2012 was to retain its position at the corporate lending market amid slower growth in the Russian economy. The Bank aimed to compensate relatively weak demand for loan products from corporate borrowers by increasing profitability of such lending. In addition, last year, the Bank paid significant attention to supporting client loyalty as well as reducing the level of problem loans, and monitoring and diversifying credit risks.

The main principles and terms of providing loans to the Bank's corporate customers in 2012 remained unchanged and included a focus on corporate customers with proven reputations, credit histories, stable finances and creditworthiness. In 2012, the Bank's corporate loan portfolio increased by 9.3% year-on-year to RUB 123.5 billion, while the portfolio of loans to SMEs amounted to RUB 77.3 billion.

Last year, the Bank succeeded in keeping the quality of its corporate loan portfolio at an acceptable level. At the year-end, the share of NPLs stood at 10.7% and the coverage ratio for NPLs was equal to 102.5%.





1995 YEAR. VISIT TO KRASNOGORSK MECHANICAL PLANT NAMED BY S.A. ZVEREV

Factoring

Last year, Bank Vozrozhdenie continued to develop factoring, its portfolio more than doubling and its client base increasing by around 50%. The Bank's strategic approach to providing factoring includes developing relationships with the corporate client's suppliers and buyers and provides them with the opportunity to finance the entire chain through a single financial organization. The Bank's primary customers for factoring are sellers and producers of food products, packaging material, household appliances, electronics, construction materials and logistics companies.

Trade finance

Amid lower demand for credit products from corporate clients, the growth of trade finance provided by the Bank slowed down slightly last year. The product in demand was long-term investment loans guaranteed by national export agencies and used to modernize production facilities. As for short-term loans, thanks to its own foreign-currency liquidity, the Bank was able to finance clients' foreign-trade contracts without involving foreign banks. In 2012, the trade finance portfolio grew to over US\$100 million.

Corporate client funds

Most of the Bank's operations in the corporate segment are funded by deposits from corporate clients. Last year, given the decline in excessive liquidity among corporate customers, Bank Vozrozhdenie paid special attention to building up its funding base from that source.

Reacting swiftly to changes in the market the Bank adjusted its interest rates several times to offer customers more favorable terms. As of January 1, 2013 the volume of corporate customers' deposits was slightly above the target, while the average interest rate on the portfolio of term deposits remained within planned limits.

In 2012, corporate term deposits amounted to RUB 25.9 billion, almost RUB 6.4 billion higher than in 2011. Most of the funds were raised for terms from one year to 18 months. Among the main corporate depositors there are financial organizations, as well as production and service companies. Last year, the total amount of corporate clients' funds increased by 17.3% to RUB 61.9 billion.

In 2012, the Bank continued to raise funds from its traditional partners: the Agency for Housing Mortgage Lending, regional and municipal administrations, and insurance companies. During the year, the Bank was accredited by the Russian Union of Auto Insurers and the National Union of Liability that allowed it to attract resources for periods over one year.

Customs payments

In 2012, Bank Vozrozhdenie proceeded with active cooperation with the customs authorities, acting as a guarantor for its corporate customers in international trade. The Bank is authorized to issue banking guarantees to ensure customs payments.

Starting from September 2012, the Russian Federal Customs Service almost doubled the Bank's limit of banking guarantees that it can issue in favor of the customs authorities (up to RUB 3.5 billion). The maximum limit for a single bank guarantee was set at RUB 700 million level. Last year, the Bank issued custom guarantees secured by insurance contracts, a key type of collateral under such products, on about RUB 812 million.

In 2012, Bank Vozrozhdenie began to work with the new coordinator of the "Round" customs card. The Bank was chosen as the first settlement center for the new coordinator. In December, the first "Round" customs card was issued to one of the Bank's clients which executed the first transaction.

Last year, the Bank initiated the introduction of technology enabling remote customs duty payments from the client's work place via a "Personal Office". The new software allows clients to transfer customs duties online after completing an electronic declaration.

Remote service

In 2012, Bank Vozrozhdenie continued developing remote customer service channels, as they are a key source of non-interest income in the corporate segment. During the year, the share of clients' payments via remote channels reached 83% of the total volume of transactions. The most popular products for remote banking services were: "Internet-Client", "Corporate Control", "Corporate Settlement Center" and "Secured E-mail". Customers were also interested in Cash Management products.

Bank Vozrozhdenie offered flexible tariff plans for its active customers. It optimized fees' rates for currency operations and held some promo-actions for cash settlement services in several regions. The Bank's efforts helped to attract new customers and increase non-interest income by 7.8% year-on-year. In the forthcoming period, the Bank plans to establish special tariff plans for each customer segment to enhance the best prices under targeted offers of services that are most necessary for the clients.

In 2013, the Bank scheduled the transfer of clients to an updated remote banking service software, which should raise the convenience, quality of services and account security to a new level.

Service quality and loyalty

Bank Vozrozhdenie monitors the quality of services provided to its corporate customers closely and pays continuous attention to its improvement. We conduct a regular "Secret Shopper" research. Furthermore in 2012 we started preparations to survey the satisfaction of our small, medium and microbusiness clients using TRiM methodology.

The Bank has a system for handling customer complaints. Many clients and potential partners have attended special events, held by the Bank as a part of its loyalty programme, at top cultural locations, including the Chekhov Moscow Art and Academic Theater, the Tretyakov Gallery, Tsaritsyno as well as the Peter and Paul Fortress.

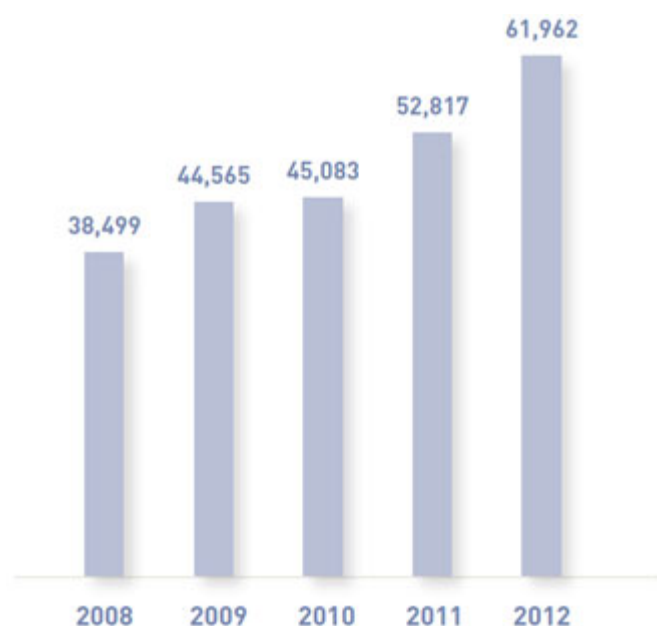
In 2012, the Bank actively developed cross sales, and the number of products per client rose from 2.1 to 2.26

Corporate business development plans

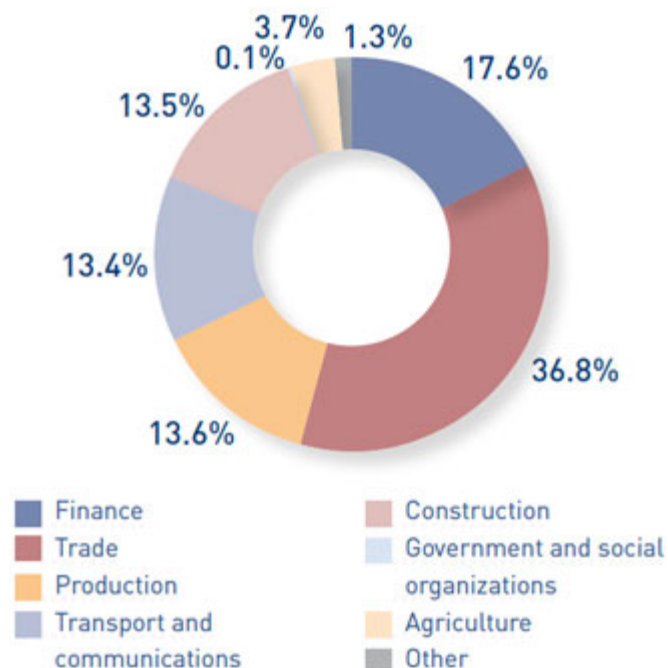
In 2013, the key priorities in the corporate business are: diversifying the existing client base; finding new, high revenue borrowers; attracting clients for raising term deposits; and increasing the share of clients generating fee income. In addition, the Bank intends to strengthen the contribution of SMEs to its financial result and maintain market leadership in terms of non-interest revenues.

One of Bank Vozrozhdenie's key objectives for 2013 is increasing loan portfolio income generation capacity as well as control over its quality

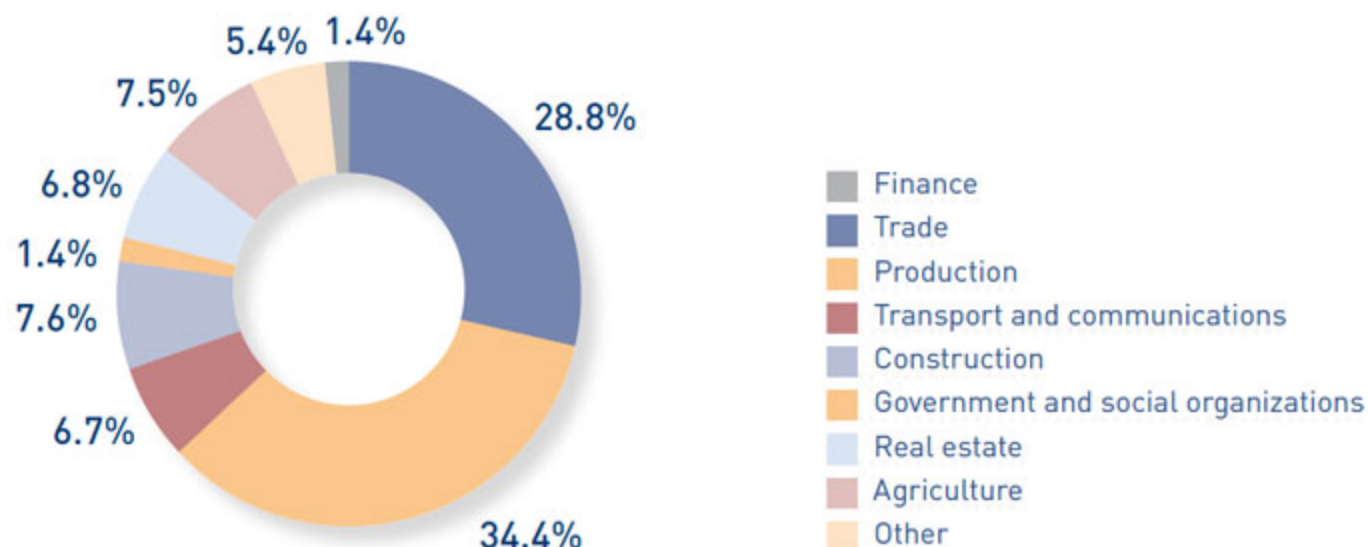
Corporate clients' funds, RUB million



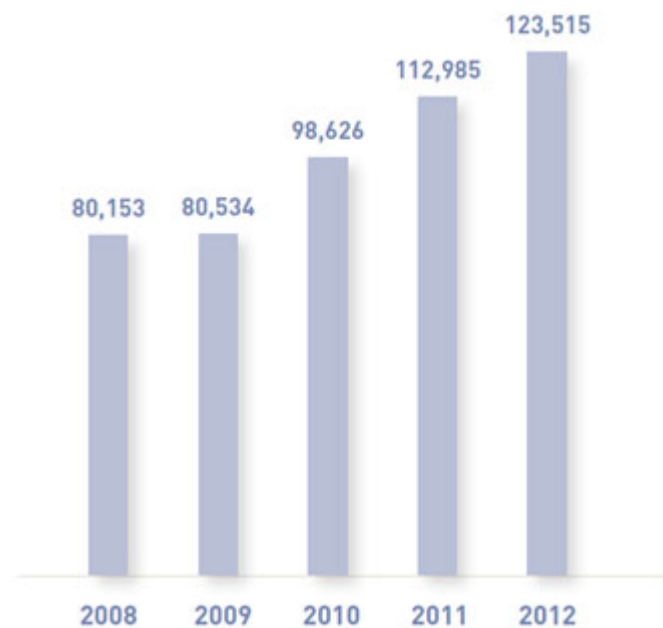
Corporate clients' funds by sector, 2012



Breakdown of the corporate loan portfolio by sector, 2012



Corporate loan portfolio*, RUB million



* Before provisions for loan impairment.

Corporate Loan Portfolio Quality

