

# Strategic Report

## Letter from the Chairman of the Board of Directors



### Dear Shareholders,

The current economic situation is making harsh demands on the banking system. In the fast changing environment, only the most dynamic, innovative and yet simultaneously responsible and wisely conservative banks are able to achieve their intended goals and successfully complete the tasks set by the shareholders.

I am firmly convinced that Vozrozhdenie Bank is just such a financial institution. From the very beginning, this bank has been sustainably rated among top companies of the Russian market, has traditionally held a leading position in servicing small and medium businesses and has adhered to a unique, client-oriented corporate philosophy.

### Strength test

Without a doubt, 2014 seriously challenged the stability of Vozrozhdenie Bank and, indeed, of the banking system in general. The geopolitical crisis caused by events in Ukraine, pressure from sanctions, the weakening of the national currency, a decrease in consumer demand and the Bank of Russia's increase of the key rate are only some of the factors which in one way or another put pressure on our business during the year.

However, the most grievous event of 2014 for us was the passing of Dmitry Orlov, the founder and inspiring leader of Vozrozhdenie Bank. Mr Orlov incorporated the bank in 1991, set up and led a team which went on to build one of the most successful private commercial banks in the country. I am proud that I had the opportunity to work with this man for many years. To this day, we adhere to the principles laid out by the bank's founder, Dmitry Orlov.

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## High standards of corporate governance

For over twenty years, Vozrozhdenie Bank has been guided by the highest corporate governance standards. In 2014, we altered our internal procedures following adoption of the new Corporate Conduct Code by the Bank of Russia and approval of the new Moscow Exchange Listing Rules. However, in always seeking to comply with not only current but also prospective requirements as well as leading practices and standards, we were prepared for the majority of these changes in advance.

Systematic and balanced approaches are the most important principles of the bank's corporate governance. Our work in this sphere has received public recognition on more than one occasion and today a well-crafted governance system unambiguously serves as one of our competitive advantages. In confirmation of this fact, at the beginning of 2014 the Global Banking & Finance Review awarded Dmitry Orlov as the Best Banking Chairman of the Board, Russia 2014. In October, Mukhadin Eskindarov, a member of the Board of Directors, was named one of the "50 Best Independent Directors" and Board of Directors' member Sergey Malinin was selected as one of the "25 Best Corporate Governance Directors/Corporate Secretaries". The ratings were prepared by the Association of Independent Directors and the Union of Russian Industrialists and Entrepreneurs in partnership with PwC.

The Board of Directors of the bank comprises professionals with impressive work experience in a variety of sectors of the Russian economy and a deep understanding of the banking business. Renewal of the Board of Directors is a reflection of an integral approach to the development of procedures in accordance with generally accepted norms. Five of the twelve members of the Board are independent directors. This helps to maintain a high level of quality of corporate governance and to find well-balanced solutions for all key aspects of the bank's business.

The bank's Management Board consists of leading experts of the banking sector, many of whom have been working at Vozrozhdenie Bank since its inception. 2015 saw some changes in the structure of the Management Board: in particular, as of March 31, 2015 Igor Antonov has officially taken on the position of the Chairman of the bank's Management Board. The appointment decision was made by the Board of Directors after having received a favourable opinion from the Bank of Russia. I am confident that Igor Antonov's extensive experience and deep understanding of the Russian banking sector will play an important role in the successful implementation of Vozrozhdenie Bank's strategy. I would like to note the invaluable contribution of Alexander Dolgoplov, who held this post from 2012 until 2015, while being a member of the Management Board from 1996 to 2015, to the rise and development of the bank.

## Strategic priorities

The bank's strategy is, as before, aimed at ensuring the balanced development of corporate and retail banking segments as well as business in financial markets. The efforts of the bank are, in all its business areas, directed at the implementation of long-term programmes based on the healthy conservatism principle. We always prefer financial strength and stability.

A conservative business model with a focus on small and medium enterprises and retail, supported by client funding and flexibly responding to changes in the macroeconomic environment is the cornerstone of our strategy. Over the course of the year, the bank together with several partners, including SME Bank, Agency for Credit Guarantees and the European Bank for Reconstruction and Development, has actively participated in improvement of lending terms offered to small and medium enterprises. The bank has continued to develop cooperation with municipalities in the regions where it operates. Historically close cooperation with the administrations of the Moscow Region was strengthened in 2014 by a Master Agreement with the Moscow Region Ministry of Finance on placing term deposits with the bank.

In 2014, the bank consistently developed its corporate and retail businesses and carried out successful operations in financial markets focusing on expanding the use of advanced banking technologies. Despite a number of risks occurring in the course of the last year which seriously aggravated the economic situation and the position of the banking sector, Vozrozhdenie Bank was able to fulfil planned developments and deliver a series of important strategic programmes.

The issues that lie ahead of us include securing a steady pace of development, overcoming the consequences of the recession and strengthening our market position to the benefit of our clients. I believe that Vozrozhdenie Bank is fully prepared to implement its strategy and reach the objectives which its shareholders have set.

On behalf of the Board of Directors of Vozrozhdenie Bank, I would like to express my sincere gratitude and appreciation to the management team and employees for their fidelity to the fundamental principles of the bank, their organised and efficient work, their ability to stand up to external challenges and achieve their goals in the face of difficult environment. I am confident that joining our efforts we will achieve still better results.

**Otar Margania**  
Chairman of the Board of Directors