



Annual report
2012

01 Address by President, Chairman of the Management Board of SMP Bank

Dear customers, partners, shareholder, and colleagues!

For us, 2012 was a challenging but successful year. We managed to achieve noticeable results in a number of areas, significantly correct the business structure, and extend the range of products and services. The Bank was growing against the background of crisis concerns, liquidity market shrinkage, and difficult situation in financial markets. These factors once again prove to us that real development can proceed only in liaison with smart conservative evaluation of risks, because stability and reliability of the bank are the key factors for its customers independently of the type of products or services they need. Much attention was paid last year to the improvement of servicing. In addition to various trainings and programs for our selling departments, we increased the number of channels for the customers to contact the Bank.

The need to develop both corporate and retail businesses forced us to review the product lines and make them more convenient to the customers.

I am satisfied with the financial results demonstrated by SMP Bank and AS SMP Bank last year. However, I am convinced that we should continue the development.

I would like to thank everyone for cooperation in 2012 and hope that it will be continued. For our part, we will do our best to make working with us full of only positive emotions.

*Sincerely yours,
Dmitry Kalantyrskiy
President and Chairman of the Management Board of SMP Bank*

02 Key Financial Indicators

Index	2011	2012	Change, %
ASSETS	114 822 579	156 454 775	36%
Loans to Customers	54 046 293	96 053 612	78%
Legal Entities	51 246 760	91 176 457	78%
Retail Customers	2 799 533	4 877 155	74%
Securities Portfolio	29 697 175	27 869 479	-6%
LIABILITIES	104 504 723	144 445 653	38%
Customer Deposits	85 562 521	112 798 358	32%
Deposits of Credit Institutions	14 568 266	21 556 331	48%
Equity	10 317 856	12 009 122	16%
Net Profit	1 116 214	1 211 463	9%
Capital Adequacy, %	11,28%	12,11%	7%

Current Accounts and Demand Deposits	2011	2012	
Retail Customers	4 322 255	6 681 383	55%
Corporate Customers	22 715 440	24 800 637	9%
Fixed-Term Deposits			
Retail Customers	49 997 980	67 874 632	36%
Corporate Customers	8 526 846	13 441 706	58%
	85 562 521	112 798 358	32%

03 Geographic Reach

As of December 31, 2012, the regional SMP Bank network comprised 108 offices located on the territory of Russia: 47 subsidiary, 10 front, and 9 lending and cash services offices, as well as 10 branches and their 32 structural units.

15 offices were opened in 2012:

- a subsidiary office at Sheremetyevo International Airport (D terminal);
- lending and cash services offices in Nalchik, Pyatigorsk, Penza, and Tomsk;
- front office in Kostroma;
- branches in Novorossiysk, Volgograd, and Samara, as well as a front office of the Novorossiysk Branch in Sochi and two subsidiary offices of the Volgograd Branch;
- subsidiary offices of the Chelyabinsk Branch in Satka, Magnitogorsk, and Zlatoust.

Work was carried out during the period under consideration to relocate and reregister the address of the Kaluga Branch of the Bank.

AS SMP Bank, a subsidiary bank in Latvia, also has a vast regional network that includes 26 customer service centers. According to the number of its customer service centers, the Bank is among the top ten in Latvia. In addition to the headquarters and 15 accounting groups in Riga, accounting groups were founded in the main regions of the country: a branch in Liepaja, two accounting groups in Ventspils and three in Daugavpils, as well as accounting groups in Yelgava, Olayne, Jurmala, and Sigulda.

In the Republic of Lithuania, the Bank is represented by its branch in Vilnius and accounting groups in Vilnius, Kaunas and Klaipeda.

Foreign representations of AS SMP Bank are located in Moscow, Russian Federation, and in Kiev, Ukraine.

The Bank continues to develop the regional network of its accounting groups and branches, and new accounting groups are to be opened on the territory of Latvia in 2013. A service center will be launched in Lithuania, in the city of Siauliai, in January 2013. A foreign branch is planned to be opened in Estonia.

04 2012 Major Events

In 2012, the Bank was dynamically developing its key lines and continuously building up the business.

The major events in the reporting period relate to ranking in the Top 40 banks by assets, a mortgage center opened in Saint-Petersburg, a small and medium-sized business lending center opened in Moscow, attraction of a subordinated loan amounting to 100 million US dollars, placement of a debut bond issue, and My SMP magazine issued for the customers of the Bank.

Ranking in the Top 40 largest Russian banks

For the first time in its history, SMP Bank was ranked in 2012 among the Top 40 Russian banks by assets (according to Interfax CEA). The assets holding as of January 1, 2013 totaled 145,500,438 thousand rubles, exceeding the 2011 result by 38.93%.*

** According to Russian Accounting Standards*

Increase in the authorized capital stock

By the end of 2012, SMP Bank increased its authorized capital stock by 2.635 billion rubles due to a change in the stock value: 3,661 million Bank shares of 1 ruble par value were converted to shares of the same category but of 1.72 ruble value. The higher price of securities was provided by means of the added capital, in particular, by an increase in the value of assets during revaluation.

Opening a mortgage center in Saint-Petersburg

SMP Bank opened during the reporting period a second mortgage center based on the Electrosila subsidiary office (the first mortgage center was opened in 2011 in Moscow in Central subsidiary office). In such centers, experts of the Bank advise the customers as to issues related to the purchase of dwelling by means of mortgage loans.

Mortgage is one of the priorities for the Bank. The SMP Bank programs are distinguished by their favorable terms. In addition, the Bank applies the so-called "one-window" principle according to which a customer is assisted by a personal manager from their first meeting until a deal is made. Such assistance guides the customer through all subtleties and peculiarities of purchasing an apartment by means of a mortgage loan.

Attraction of a subordinated loan

In 2012, SMP Bank attracted a subordinated loan from Wandle Holdings LTD, Suleiman Kerimov being the beneficiary.

The maturity term is 61 months, the interest rate 6% per annum. The loan was provided in two tranches of 50 million US dollars each, in August and November of 2012.

The attraction of this subordinated loan will allow SMP Bank to further expand its business. Particularly, the funds were allocated to increase the loan portfolio.

Opening of a small and medium-sized business lending center

Based on Krasnyie Vorota subsidiary office (Moscow), the Bank opened in 2012 a lending center for small and medium-sized business. The employees of the center advise the customers as to the financing of business conducted by small and medium-sized enterprises.

SMP Bank continues dynamic development of the segment of lending to small and medium-sized business. Thus, a new line of loan products was launched in 2012 aimed at meeting the customer demands in working capital replenishment and fixed asset acquisition including those secured against property. The Bank applies in its work with the customers an individual approach to each borrower.

Placement of debut bond issue

In May 2012, SMP Bank was successful in placing a debut issue of five-year bonds of 01 series to the total par value of 3 billion rubles. The placement was held at MICEX Stock Exchange JSC by public offering in the form of book building.

The first coupon rate was set at 10.25% per annum; the effective bond yield for the six month offer was 10.51% per annum. The Bank bonds have ten six-month coupons. The Moody's Investors Service rating agency assigned B3 long-term rating and stable outlook to SMP Bank bonds.

Issue of a magazine for customers

For its customers, SMP Bank launched in 2012 My SMP magazine to be published once a quarter in 10,000 copies.

The purpose of the magazine is to tell its readers about finances in a clear and accessible language. In addition to providing information, the magazine performs an entertaining function as its pages contains topics that do not directly refer to banking products and services, for example, interviews with celebrities. Thus, My SMP pages were visited in 2012 by such popular persons as Mikhail Turetsky and Valentin Yudashkin.

05 Membership in Associations

SMP Bank is an active participant of the professional banking community and a member of the largest financial associations and societies in Russia. The Bank is a member of the National Stock Exchange Association, Association of Russian Banks (ARB), Association of Regional Banks of Russia ("Russia" Association), and others.

Due to close cooperation with the professional community, SMP Bank participates in the development of recommendations on unified banking standards, on strengthening of interaction and cooperation of the banking sector with the state, and promotion of state initiatives significant to the banking market.

Ratings and Ranks

SMB Bank is rated by the leading international and Russian rating agencies that confirm its high financial indicators and stability.

The Bank is rated by Moody's Investors Service as follows: financial stability E+, deposits B3 / Not Prime, national scale credit rating Baa3.ru. The rating outlook for all indicators was stable.

The Bank also has an individual credit rating assigned by the National Rating Agency (NRA) at AA- level, which means very high credit solvency, third level. NRA changed this rating outlook in 2012 from stable to positive. The change resulted from stable growth dynamics in business volumes of SMP Bank.

According to the Interfax Centre of Economic Analysis (Interfax-CEA), SMP Bank joined in 2012 the Top 40 largest banks of Russia according to the size of assets, ranking 39th with an increase of two points against 2011.

Retail business is one of the development priorities for the Bank. Improved financial indicators of this segment were reflected in respective rankings. Thus, the 2012 results show that SMP Bank joined the Top 50 banks according to the number of active plastic cards, and the Top 40 according to the number of plastic cards in circulation, ranking 48th and 40th, respectively (RBK.Rating data). The Bank ranks 37th and 38th in the ranking of banks based on the number of their ATMs in Russia that was also made by RBK.Rating. According to the RUSIPOTEKA Analytic Center of Mortgage Lending and Securitization, the Bank was ranked 37th in the reporting period according to total mortgage loans. SMP Bank is active in developing corporate business. In 2012, it joined the Top 50 banks according to loans provided to legal entities (ranking 45th) and was 52nd in the ranking based on deposits of legal entities (RBK.Rating data).

In the reporting period, the Bank was 54th in the ranking of most branched banks in Russia made by RBK.Rating.

06 Management Board



Dmitry Yakovlevich Kalantyrskiy

President and Chairman of the Management Board

Born in 1975. In 1997, graduated from the Kiev National University of Economics, majoring in economy of enterprise; in 1998, from the University of Northumbria at Newcastle (Great Britain), majoring in economy. In 2005, was awarded the degree of Candidate of Juridical Sciences by the Moscow State Institute of International Relations (Ministry of Foreign Affairs of Russia).



Denis Olegovich Pospelov

First Deputy Chairman of the Management Board

Born in 1970. In 1993, graduated from the Moscow Institute of Engineering and Physics, majoring in applied mathematics.



Aleksander Anatolievich Levkovskiy

First Deputy Chairman of the Management Board

Born in 1972. In 1994, graduated from the Moscow Institute of Economics and Statistics (majoring in informational systems in economy, qualification – engineer-economist); in 2003, from the State University of Management (the degree of Candidate of Economic Sciences). In 2006, advanced training under Effective Company Management program at the State University – Higher School of Economics.



Arutyun Gevorkovich Vermishyan

Deputy Chairman of the Management Board

Born in 1949. In 1973, graduated from Yerevan Polytechnic Institute named after K. Marx, majoring in electric machines and apparatuses.



Maxim Gennadievich Egunov

Deputy Chairman of the Management Board

Born in 1977. In 2001, graduated from the Peoples' Friendship University of Russia, majoring in economics.



Artem Alekseevich Obolenskiy

Deputy Chairman of the Management Board

Born in 1975. In 1996, graduated from the University of Northumbria at Newcastle (Great Britain), bachelor of international accounting and finance. In 1997, graduated from the Kiev National University of Economics, majoring in international economy; in 2002, graduated from Fordham University in New York (the USA), majoring in finance.



Dmitry Vladimirovich Svetlov

Deputy Chairman of the Management Board

Born in 1974. In 2001, graduated from the Russian Distance-Learning Institute of Textile and Light Industry, majoring in accounting and audit.



Alla Aleksandrovna Sivenkova

Deputy Chairman of the Management Board

Born in 1970. In 1993, graduated from Moscow Engineering and Physics Institute (state university), majoring in engineer physics.



Tatiana Ivanovna Shatalova

Deputy Chairman of the Management Board

Born in 1971. In 1993, graduated from the Tashkent Institute of Irrigation and Agricultural Mechanization Engineers, majoring in management economics at enterprises.



Tatiana Vyacheslavovna Manshina

Chief accountant

Born in 1964. In 1984, graduated from the All-Union Distance-Learning Account-Credit Technical School of the USSR State Bank, majoring in finances and credit; in 1991, from the All-Union Distance-Learning Institute of Finance and Economics, majoring in finance and credit.

06 Board of Directors

Arkady Romanovich Rotenberg

Chairman of the Board of Directors

Born in 1951. In 1978, graduated from the State Twice-Ordered Institute of Physical Culture named after P.F. Lesgaft, majoring in physical culture and sports. From 2001, an honorary coach of Russia. In 2008, was awarded the degree of Doctor of Pedagogic Sciences by the Higher Attestation Commission of the Ministry of Education and Science of the Russian Federation.

Dmitry Yakovlevich Kalantyrskiy

Member of the Board of Directors

Born in 1975. In 1997, graduated from the Kiev National University of Economics, majoring in economy of enterprise; in 1998, from the University of Northumbria at Newcastle (Great Britain), majoring in economy. In 2005, was awarded the degree of Candidate of Juridical Sciences by the Moscow State Institute of International Relations (Ministry of Foreign Affairs of Russia).

Pavel Grigorievich Balskiy

Member of the Board of Directors

Born in 1965. In 2003, graduated from the North-Western Academy of State Service, majoring in state and municipal management.

Konstantin Veniaminovich Goloshchapov

Member of the Board of Directors

Born in 1954. In 1982, graduated from the Leningrad Institute of Civil Engineering awarded with the Order of the Red Banner of Labor, majoring in industrial and civil construction.

Irina Nikolayevna Yermakova

Member of the Board of Directors, Deputy Chairman of the Board of Directors

Born in 1965. In 1989, graduated from the Leningrad State University awarded with the Order of the Red Banner of Labor, majoring in economic cybernetics.

Boris Romanovich Rotenberg

Member of the Board of Directors

Born in 1957. In 1978, graduated from the State Twice-Ordered Institute of Physical Culture named after P.F. Lesgaft. Master of Sports in judo and sambo. Leningrad and USSR team member, repeated prize winner of USSR Junior Judo Championships and Cups.

In 2004, was awarded the degree of Candidate of Pedagogic Sciences by the Military Institute of Physical Culture. In 2006, graduated from the North-Western Academy of Civil Service (Federal State Higher Education Institution), majoring in law.

Sergei Alexeevich Smirnov

Member of the Board of Directors, Deputy Chairman of the Board of Directors

Born in 1965. In 1987, graduated from Moscow Agricultural Academy named after K.A. Timiryazev, majoring in agricultural economics and management. In 2004, was awarded the degree of Candidate of Economic Sciences by Moscow State Agro-Engineering University named after V.P. Goryachkin.

07 Retail Business

The retail development remained one of the key drivers of growth for SMP Bank in the reporting period. Actually all retail lines experienced a jump in quality.

Deposits

The deposits account for a half of the Bank's assets and thus form one of the primary funding sources. The volume of deposits constantly grows, which confirms strong confidence of the customers; many depositors place several deposits with the Bank at the same time.

The deposit rates of SMP Bank reflect its high stability and quality of the loan portfolio. The Bank also offers favorable conditions related to other products for deposits being opened, as well as seasonal deposits of a higher interest rate. Deposits of the Finansoviy Mnozhitel (Financial Factor) group are the most popular with the customers. The Bank updated its line of deposits in 2012.

The year-end volume of fixed-term deposits for private customers rose by 36% to a total of 67.9 billion rubles.

The SMP Bank deposits are insured under the Russian legislation.

Banking Cards

SMP Bank offers a wide range of card products, from simple plastic cards to premium ones. The range of the SMP Bank cards was supplemented in 2012 by a premium Visa Platinum card.

SMP Bank also launched gift cards in 2012.

In addition, the Bank was the first in Russia to launch a co-branded card with the BalticMiles loyalty program. The SMP BalticMiles Visa card ensures privileges to those who travel a lot, not only making air travel less expensive, but also providing bonuses from the Bank.

To improve the security of card operations, the Bank launched a new product: MasterCard Virtual. Customers can arrange the card in ATMs of SMP Bank as a supplementary card in addition to a valid basic card of the Bank.

The bank improved servicing conditions for its cards, in particular, by reducing the minimum payment on credit cards from 10% to 5% and extending the maximum age for arranging a card from 55 to 59 years.

In addition, the SMP Bank cardholders now can transfer funds from one card account opened with SMP Bank to another account using the ATMs of the Bank.

The issuing volume increased in 2012 by 34% to a total of 144 thousand cards. At the same time, transactions on payment for goods and services by SMP Bank cards amounted to 7.5 billion rubles.

Mortgage

Mortgage lending to private customers remained in 2012 one of the priorities in the development of retail business. The onrush development of mortgage continued in the reporting period.

The loan portfolio amounted to 2.1 billion rubles against 0.97 billion rubles of the previous year. The rapid growth in this direction was achieved due to a number of factors including:

- maintaining the interest rates below the average market level: in spite of common 2012 tendencies and repeated rate increase by the market leaders, SMP Bank kept its rates unchanged during the reporting period;
- active accreditation of primary market facilities: 56 new construction projects were accredited in 2012, which significantly widened the choice of flats in buildings under construction for the customers (the Bank worked with only seven facilities in 2011);
- optimization of business processes aimed at reducing the term of loan application processing;
- entering into the list of such facilities for the purchase of which the Bank grants mortgage loans, townhouses and houses with land;
- providing the customers with an opportunity to obtain a loan not only in a lump sum, but also in tranches.

To achieve higher efficiency of the Bank in the mortgage market, the Mortgage and Consumer Lending Department was formed in the reporting year, the number of employees working in this area was increased, and serious work was carried out in hiring and training of credit experts so as to ensure high-level service for the customers under the conditions of substantially growing number of transactions.

SMP Bank opened in 2012 a second mortgage center based on the Electrosila subsidiary office in Saint-Petersburg (the first center was opened in Moscow in 2011). Experts of the Bank consult the customers in the mortgage centers on issues related to the purchase of dwelling by means of mortgage loans.

Internet Banking

In 2012, SMP Bank was diligently developing the SMP ON-Bank Internet banking system for private customers with an integrated functionality that provides managing of personal funds.

In September, all SMP ON-Bank users were transferred to a new, upgraded version.

The system underwent changes during the reporting period both in its functionality and interface. The new SMP ON-Bank version became more convenient and easy for the users. The following innovations were introduced:

- An option was provided to create personal categories of expenses and income: user account transactions are automatically classified according to the category and can further be split into several operations falling into different categories;
- The budget planning mechanism was updated: now the customers can plan expenses and income for all categories in the same window;
- An option was added to track savings, debts, and loans: the system helps to calculate a monthly payment and automatically adds such category of expenses to the budgets of months during which debt or loan repayment should be made or a certain amount set aside;
- An option was provided to perform transfers via SMP ON-Bank in favor of legal entities, SMP Bank customers;
- The amount of the commission is now reflected on the transfer and service payment forms;
- It is possible now to view details and requisites of current and card accounts and deposits and to export details and statements in .xls and .pdf formats.

Implementation of the function of creating standing orders became one of the important innovations in 2012. It helps the customers to setup automatic regular payment (for example, payment for utility services, mobile communication, Internet, etc.).

Other options were introduced, including payment from deposit accounts, instantaneous online arrangement of a virtual card, transfer of funds to accounts in SMP Trader, etc.

Refund on Tax Free Checks

SMP Bank was actively developing the program of refunding on Tax Free checks for its private customers in 2012. As this service is offered at the Russian market by an extremely limited number of banks, the measures of promoting the program allowed SMP Bank to increase, due to cross-selling, not only the number of such operations, but also the number of customers.

SMP Bank extended in 2012 the list of companies that are partners in Tax Free check refunding and started cooperation with such companies as Innova Tax Free and Euro Free Shopping, as well as with Global Blue, the world's largest operator in this market. Thus, the number of the Bank's partner operators has reached seven companies.

The Tax Free checks of all companies except Global Blue are accepted for refunding by all offices of the Bank. In 2012, the SMP Bank Branch in Kaliningrad, Central and Kutuzovsky offices in Moscow, and Pravoberezhny and Petrogradsky offices in Saint-Petersburg worked with Global Blue checks.

In total, SMP Bank refunds the value added tax for purchases made in 30 European countries, working with such companies as Global Blue, Premier Tax Free, Tax Free Worldwide, Innova Tax Free, Euro Free Shopping, D taxe SAS, and New Tax Free.

The number of refunded Tax Free checks almost tripled in 2012, amounting to 33,125 checks against 11,613 checks in 2011. The fee revenue became 2.4 times greater.

Money Transfers

All SMP Bank offices render the service of money transfer to any part of the world.

Customers having accounts with the Bank can transfer funds from such accounts (no fee is charged for intrabank transfer). In addition, customers can transfer funds without opening an account or use the services of the largest international money transfer systems.

The Bank cooperates with such systems as Western Union, Unistream, CONTACT, and others. This list was supplemented in 2012 by the Golden Crown system, which is the leader in the money transfer market. The system could be used during the reporting period in the Bank offices in Moscow to transfer or receive money.

Within the framework of optimizing the transfer service, a decision was taken to cancel agreements with BLIZKO and Coinstar Money Transfer (CMT) systems.

SMP Trader Platform

SMP Bank offers state-of-the-art technologies for completing trade transactions on foreign financial markets. The customers have an opportunity to trade in a wide range of instruments via the SMP Trader Internet platform. In the Forex market, the platform provides access to 160 currency pairs and to the total liquidity, unprecedented in its volume, of the world's largest banks (automated quotes on Forex transactions of up to 25 million euro).

An account opened in SMP Trader makes it possible for the customers to enter into futures and option contracts on different basic assets (currency rates, stock indices, hydrocarbons, and other commodity positions), into CFDs (contracts for difference in price), to trade foreign currencies (Forex) in real time, as well as precious metals for different currencies, and conduct other transactions.

Another advantage of using SMP Trader is the opportunity for the customer to obtain financial news from leading information agencies such as Dow Jones News, MNI, ASX, and others.

The volume of deposits of customers directed to work in foreign financial markets (over 15 million US dollars) grew substantially in 2012. The average fee for a single trading session was about 2,000 US dollars.

Retail Business of AS SMP Bank (Latvia)

Deposits

AS SMP Bank offers four deposit programs for private customers: ordinary deposits, special deposits, deposits with possible conversion to another currency, and deposit accounts for pensioners (in Latvian lats).

The Bank holds annual campaigns to attract deposits of higher interest rates: New Year deposit, Easter deposits, and Ligo deposit.

Bank cards

AS SMP Bank issues payment cards of Maestro, Standard, and Gold categories of the MasterCard Worldwide payment system. A card account can be opened in four currencies: Latvian lats, euro, US dollars, and Lithuanian litas.

Retail customers received 13,724 cards in 2012. Due to active marketing policy and favorable tariffs, the number and sums of transactions via cards issued by AS SMP Bank grew in the reporting period substantially, including:

- The number of purchases made in Latvia and paid for by Maestro cards rose by 318%, and the sum of purchases by 355%;
- The number of purchases made in Latvia and paid for by Standard cards rose by 183% and the sum of purchases by 265%

Money Transfer

The Latvian AS SMP Bank cooperates with Unistream and Contact international money transfer systems for private customers. The Bank offers its transfer service with the aid of the mentioned systems on the territories of both Latvia and Lithuania.

Residence Permit Program

The Latvian AS SMP Bank is an active participant of the program for getting residence permits in Latvia and offers the following services:

- Drawing up of residence permits;
- Selecting real estate items according to desires and resources of the customer;
- Consulting on real estate and investment;
- Legal support of transactions;
- Lending;
- Organizational support.

More than ten investors have thus far received residence permits due to their cooperation with AS SMP Bank.

Servicing of RF Defense Ministry Pension and Benefit Recipients

AS SMP Bank has been servicing more than 12 thousand customers – military pensioners in Latvia since 2010, and more than 6 thousand military pensioners in Lithuania since 2011.

Crediting

The Bank actively worked in 2012 both with large corporate customers and small and medium-sized business. The corporate loan portfolio was growing faster than average on the market, and at the same time, the concentration of risks for the largest corporate customers was reduced. Crediting was especially active with respect to corporate customers in the regions, where the gross loans were more than doubled.

A substantial change took place in the portfolio structure according to the spheres of business: the percentage of customers operating in trade, services, and real estate grew. Throughout the year, SMP Bank was consistently increasing the number of corporate customers attracted to its services. Both the number of opened accounts and the volume of loans extended to new customers were increased. At the same time, the Bank follows a conservative approach to credit risk assessment, giving priority to reliable borrowers. The percent of the outstanding debt remains at an extremely low level of 1.57%.

SMP Bank extended in 2012 its product line for small and medium-sized business as to loan products, including those for enterprises in Moscow and Moscow Region. Personal managers were assigned to the borrowers; they provided advice at all stages of transactions and further interacted with the borrowers. In addition, the number of documents required for a preliminary decision on a loan was reduced, and application processing became faster for the convenience of customers.

During the reporting period, SMP Bank entered into a 5-year agreement with the Russian Bank for Small and Medium-Sized Enterprise Support (SME Bank) on raising funds for small and medium-sized businesses (SMB) under the State Program of financial support to small and medium-sized enterprises. The obtained funds are transferred for crediting manufacturing enterprises of SMB and innovative and high-tech companies. In addition, the Bank started cooperation with the Guarantee Fund for Business Support in the Samara Region, and the Trustee Board of the Petersburg Fund for Small and Medium-Sized Business Credit Support approved SMP Bank as a participant in a guarantee-granting program.

The largest amount of loans provided to the customers in 2012 was in rubles. The portion of US dollar loans was enlarged, while the borrowers preferred to decline euro loans because of the uncertain situation in the euro zone.

The Bank corrected its prime lending rates in 2012 according to the value of attracted funds and the market liquidity situation. The rates were maintained at a level acceptable to borrowers in conditions of continuous improvement of the work and business processes.

Deposits

According to the results of the reporting period, the portfolio of funds of corporate customers using fixed-term deposits amounted to 13.4 billion rubles.

SMP bank offers several types of deposits with different deposit maturity (short-term, medium-term, and long-term) and possible partial withdrawal of funds. In forming its pricing plans, the Bank applies an individual approach, taking into consideration the needs and desires of each customer.

The deposit interest rates ensure high profitability for corporate customers (the interest rate depends on the amount and maturity of a deposit). At the choice of the customer, the deposit interest is paid out by the Bank on a monthly basis or at the deposit maturity.

Bank Cards

SMP Bank continued in 2012 to develop the segment of payroll cards, increasing the number of payroll card programs.

A payroll card program is a program for paying out salaries with the help of bankcards of international payment systems. Such form of payment makes it easier for an employer to pay the employees and is profitable both for companies and their employees (payroll cardholders).

During the reporting period, the number of payroll card programs increased by 72%, and 90.1 thousand payroll cards were issued, which is 36% more than in 2011.

In order to raise the competitiveness of the product, provide the customers with high-technology service, and cut the support cost of payroll card programs, the Bank launched in 2012 a project on automatic servicing of payroll card programs: an automated system for processing (ASP) payroll registers was developed and put into operation, providing feedback from the customers in an automatic mode. The customers participating in payroll card programs are informed about the results of register checks, current errors, and facts of payroll loaded onto the cards. Due to the ASP, the customers do not need to call the bank to get the information. All customers participating in payroll card programs have by now been transferred to the ASP.

In addition to payroll cards, SMP Bank offers to organizations corporate cards of Visa International and MasterCard Worldwide payment systems. The corporate cards allow their holders to conduct settlement transactions on accounts of legal entities for administrative, business-trip, representative, and other business purposes and provide organizations with effective cost control and optimization.

Use of corporate cards:

- On the territory of the Russian Federation:
 - Withdrawal of cash (in rubles) for settlements associated with business of organizations and business trips of their employees;
 - Non-cash payment of expenses (in rubles) associated with business trips of employees;
 - Non-cash transactions (in rubles) associated with operating or business activity of organizations;
 - Non-cash payment (in rubles) of entertainment expenses.
- Abroad:
 - Non-cash payment (in foreign currency) of expenses associated with foreign business trips of employees;
 - Non-cash payment (in foreign currency) of entertainment expenses;
 - Withdrawal of foreign currency cash to pay expenses associated with foreign business trips of employees.

Corporate cards facilitate the procedure of payment and tracking of business trip funds and business, entertainment, and other expenses of an organization and reduce the cashier workload, as there is no need in giving out cash to be accounted for.

SMP Bank issues debit cards that enable their holders to conduct transactions within the limits of funds available on the organization's account. Where applicable, the Bank may set a monthly spending limit for a corporate card, within which the holder will have the right to spend money available on the account.

Acquiring

The acquiring network of SMP Bank is constantly expanding. The bank terminals operate with cards of Visa International, MasterCard Worldwide, and American Express international payment systems.

The acquiring network of SMP Bank included by the end of 2012 more than 1.5 thousand terminals installed in trade and service outlets of various lines of business.

The turnover of transactions through the Bank terminals in the reporting period was 1.4 times greater than that in 2011.

Online Servicing

In 2012, SMP Bank continued to develop its Bank-Customer online banking system (OBS) for servicing legal entities.

One of the useful innovations relates to possible transfer of payslips to the Bank via the Bank-Customer system. Previously, the employees of companies participating in the payroll card program had to visit the office personally so as to inform the bank employees about payroll entered to the account, and now this can be done online.

The Bank-Customer OBS users can also create standing orders for regular payments of the organization.

08 AS SMP Bank (Latvia) Corporate Business

Crediting

The corporate customer crediting program of AS SMP Bank includes the following services:

- Investment loan;
- Short-term financing of current operations (credit line);
- Current asset financing;
- Account overdraft;
- Vehicle loan;
- Trade financing;
- Leasing;
- Factoring.

The corporate loan portfolio of AS SMP Bank accounted for 82% of the total loan portfolio by the end of 2012. The funds were allocated to finance enterprises in such spheres as wholesale and retail trade, real estate, power, manufacturing and mining industries, and construction.

A substantial portion of AS SMP Bank's corporate borrowers consists of companies operating in small and medium-sized business. Loans were granted in 2012 to SMB enterprises of machine engineering and printing, manufacturing, and power industries.

Deposits

AS SMP Bank offers two deposit programs for legal entities: ordinary deposits and currency conversion deposits.

Bank Cards

For its corporate customers, AS SMP Bank issues MasterCard Business corporate bank cards. The cards have two tariffs: Base and Active (optional for the customer). Card accounts may be opened in four currencies: Latvian lats, euro, US dollars, and Lithuanian litas.

As of the end of 2012, AS SMP Bank issued up to 365 active cards of Business category. With the help of the cards, the corporate customers effected 17 thousand purchases amounting to 2,365 thousand euro during the reporting period. The gain was 240% of 2011 results.

Acquiring

The Latvian AS SMP Bank provides acquiring service to legal entities that allows bank card acceptance in POS-terminals and Internet.

The acquiring transaction volume has almost tripled during the last two years.

As of the end of 2012, the acquiring network of the Bank included 77 terminals through which 43 thousand purchases were made in the reporting period to the amount of 893 thousand euro. The gain was 319% of 2011 results.

Online Servicing

The MultiNet remote account management system is functioning in AS SMP Bank for corporate customers. The system provides online information on the state of accounts, real-time payments, and exchange of data and financial documents with the Bank.

09 Government Finance

SMP Bank distinctly strengthened its position in the lending market for constituent entities of the Russian Federation and municipal units in 2012. The loan portfolio increased over the accounting period by more than 3.4 times, having almost reached 36.9 billion rubles as of January 1, 2013, which accounts for 39% of the aggregate loan portfolio of the Bank (for reference, this percent was 20,6% as of January 1, 2012).

Having become one of the three top public sector lenders at the beginning of the year, the Bank has been continuously shortening the distance to acknowledged leaders in the market (Sberbank and VTB), simultaneously increasing the breakaway from other competitors (Table 1).

Debt under loans granted to RF constituent entities and municipal units

Bank	Loan portfolio, thous. rubles	
	01.01.2013	01.01.2012
Sberbank of Russia	354,054,539	267,346,394
VTB	93,288,591	48,593,350
SMP Bank	34,681,708	10,811,000
Bank of Moscow	11,531,325	1,271,000
Rosselkhozbank	5,497,900	2,117,000
Rosbank	4,894,333	7,130,475
Baltic Bank	4,857,188	11,540,861

Sources: Official site of the Central Bank of Russia (www.cbr.ru), calculations made by SMP Bank

The Bank holds most serious positions in the lending market for small municipal units that are highly reliable borrowers and at the same time most attractive from the loan cost standpoint.

Thus, according to the number and cost volume of tenders for granting loans of up to 50 million rubles won in 2012, the Bank was the second after Sberbank, being twice or thrice ahead of VTB, which took the third place (Table 2).

Tenders for granting loans of up to 50 million rubles won in 2012

Bank	Number of tenders won	Gross loans, mln rubles
Sberbank	308	5,775.37
SMP Bank	280	5,200.68
VTB	98	2,680.02
Other	218	4,506.21

Sources: Official site of RF for posting information on the placement of orders (www.zakupku.gov.ru), calculations made by SMP Bank.

To a large extent, these results have been achieved due to constant liaison of the Government Finance Department employees with the borrowers, which gives the perception of market changes and allows adequate forecasting of time limits for loan drawdown by the borrowers. The Bank also succeeded in 2012 in constant improvement of tender documentation: the number of ambiguities, inaccuracies, and dual definitions was reduced.

Within the scope of joint work with the Agency for Housing Mortgage Lending (AHML) under the Stimulus program (refinancing of the Bank housing loans), crediting of South-Ural Corporation of Housing Construction and Mortgage (SU CHM JSC) (Chelyabinsk Region) was launched in 2012 according to the program of Betotek economy-class housing. The total investment will amount to 180 million rubles, and 70% of the provided funds will be refinanced in AHML. In addition, the possibility of financing the Vladimir Territorial Construction Department (VTCD LLC) under the Stimulus program has been approved, with the total investment of 8 billion rubles.

The bank continued in 2012 to attract to its deposits temporarily surplus funds of state companies and corporations and off-budget state and municipal funds. In the reporting period, the attracted funds amounted to 1.8 billion rubles.

An efficient system of relations with regional state-financed organizations was constructed via the branch network of the Bank, which provided for productive and efficient development of additional financing patterns, collection services and account maintenance of pension funds and financial departments, warranties under loan agreements, and other forms of cooperation.

10 Interbank Cooperation and Financial Markets

Investment Activity

SMP Bank continued to increase in 2012 the volume of its transactions with fixed-yield securities. The investment portfolio of the Bank in debt securities was composed of assets of different duration and high credit quality. During the year, the bank was actively using the refinancing mechanism provided by the Central Bank of the Russian Federation through repo transactions.

SMP Bank applies a conservative strategy using low-risk instruments to manage the securities portfolio. During the reporting period, the excessive ruble liquidity was placed in ruble-denominated securities (mainly in federal bonds and blue chip corporate bonds). The entire volume of acquired securities consisted of bonds from the Lombard List of the Bank of Russia.

Diversifying its own securities portfolio, the bank conducted in 2012 transactions with the issue of securities of more than 40 high-grade issuers. According to the results of the year, the aggregate portfolio of securities of SMP Bank was reduced by 6% down to 27.9 billion rubles and their share in assets dropped from 26% to 18%.

Operations with Precious Metals

SMP Bank continued to increase the volume and expand the range of operations in the bullion market in 2012. Today the Bank offers the entire package of products related to operations with precious metals.

During the reporting period, the Bank expanded its customer base and started operations on unallocated bullion accounts for natural persons in its branches.

The volume of operations with gold bullions during the reporting period exceeded five tons, amounting in terms of money to 8.5 billion rubles. The Central Bank of the Russian Federation was the major agency bank of SMP Bank. Transactions were as well conducted with the largest banks participating in the Russian bullion market, such as Sberbank, Nomos-Bank, and others. Relations were established and operations conducted with foreign banks. The Bank obtained a license for export operations with precious metals.

Interbank Lending

SMP Bank was persistently working to expand its presence in the Russian and international financial markets. It continued to develop relations with Russian and foreign financial institutions in 2012. The correspondent network of the Bank includes 36 agency banks.

About 60 long-term framework agreements were concluded within the year with the Bank's customers to regulate financial market transactions. The volume of lines opened to SMP Bank exceeded 9.5 billion rubles.

Currency Control

SMP Bank provided in 2012 its customers with full service banking of all types of currency transactions under foreign economic agreements, as well as non-trading operations.

Acting as a currency control agent, the experts of the Bank informed its customers about most significant changes in the Russian currency legislation, provided necessary guiding materials, and rendered assistance in solving complex and nonstandard situations related to the application of the RF currency legislation.

As a currency control agent, the Bank executed over 1,600 transaction passports during the reporting period. The income the bank gained acting as a currency control agent exceeded 25.3 million rubles.

Financial Market Transactions

In May 2012, the debut issue of SMP Bank's five-year bonds of 01 series was placed to the total par value of 3 billion rubles. The issue was placed at MICEX Stock Exchange JSC by public offering in the form of book building. The first coupon rate was set at 10.25% per annum for six months. Successful closure of the book of bids for the Bank's debut issue bonds demonstrated profound interest of different groups of investors, which made a good start for creating successful public history of SMP Bank in the debt market.

In September 2012, the SMP Bank's bonds were put on the Lombard List of the Bank of Russia and on the list of securities accepted as collateral for repo transactions of the Bank of Russia, which once again confirmed the reliability and investment potential of securities issued by SMP Bank.

After the coupon rate had been set in November 2012 at 10% for the following year, the Bank fully performed its obligations as to the redemption of the bonds within the offer. The total number of the redeemed bonds accounted for 39.6% of the loan.

In October 2012, SMP Bank for the first time participated in a syndicated loan as one of its arrangers. The loan totaling 2.6 billion rubles was provided to MBA-MOSCOW Limited Liability Company, while International Bank of Azerbaijan Open Joint Stock Company acted as the loan guarantor and Novikombank Joint Stock Bank as the transaction agent.

During the reporting period, SMP Bank developed and provided its customers with international trade and structural financing instruments that help them to achieve most advantageous commercial and financial conditions for foreign trade transactions without diversion of current assets, to minimize risks inherent in such transactions and obtain additional control and consulting support from the Bank at all stages of preparing and conducting the transactions.

Tariffs for trade finance transactions governed by international unified rules and procedures were approved in the summer of 2012, allowing the Bank to render services to legal entities and natural persons at a competitive price.

Large European and South-East Asian banks became partners of the Bank in 2012. Due to the growing turnover between Russia and countries of this region (especially China), the use of the Chinese yuan in Letter of Credit operations including those with financing provided in this currency has become one of the key areas for the Bank.

Another essential area in trade finance transactions relates to settlements between the Bank's customers and their partners, CIS residents, as well as financing provided for such operations. SMP Bank opened correspondent accounts in Kazakh tenge with Kazcom-mertzbank (Kazakhstan) and in Belarusian rubles with Belvnesheconombank (Republic of Belarus). The Bank started active cooperation with banks of Belarus, Uzbekistan, and Azerbaijan in the field of trade finance transactions, acting at the same time as a confirming and financing bank and thus promoting the development of export potential of the customers.

SMP Bank also entered into a number of framework agreements in the field of trade finance guarantee transactions including agreements with Sberbank of Russia OJSC, Gazprombank OJSC, and HSBC (Moscow).

11 Risk Management

The risk management system developed and applied in SMP Bank is aimed at reducing loss associated with risks inherent in the banking sector of the economy and at securing the assets and capital through lower risk exposure and higher capitalization of the Bank. The system distributes powers among management authorities and structural units of the Bank.

The strategic aspects of risk management are vested in the Board of Directors of SMP Bank, and operational activities in risk management are coordinated by committees responsible for managing risks of different types. Overall risk monitoring and assessment are centralized at the level of risk management departments.

Credit Risk

In the sphere of credit risk management, SMP Bank was employing in 2012 conservative approaches, as well as methods and procedures required by regulatory authorities.

The issues of credit risk management were governed by the current credit policy and internal procedures of the Bank. Issues of forming reserves for potential loss on assets bearing credit risks were governed by relevant internal regulatory documents, with prudence (reasonable conservatism) being the basic principle. The limit on the overall amount of large credit risks met the requirements set by the Bank of Russia.

Market Risk

The market risk management system structured in SMP Bank distributes management powers among management authorities and structural units of the Bank.

All strategic aspects of risk management are vested in the Board of Directors of the Bank. Operational activities in market risk management are coordinated in the Bank by the Asset and Liability Management Committee. The units taking the market risk are responsible for managing such risk within the established limits. The procedure of market risk monitoring and assessment is centralized at the level of the Market Risk Analysis and Assessment Board of the Risk Management Department.

The market risk management consisted in 2012 of the following interrelated stages:

- Evaluation of goals and targets;
- Market risk identification;
- Market risk assessment and analysis;
- Development of instruments for market risk response;
- Implementation of instruments for market risk response and control;
- Monitoring and efficiency evaluation of the market risk management procedure.

The system of assessment and management of market risk of securities and exchange transactions was based in SMP Bank on the analysis of potential and contingent losses in compliance with the requirements of the Bank of Russia and recommendations of the Basel Committee on Banking Supervision.

The Bank applies the following methods to limit the assumed risks of potential loss (including contingent loss):

- Limitation
- Hedging;
- Reservation;
- Diversification;
- Stress testing.

The market risk management is executed on a regular basis. The Bank daily calculates the market risk index so as to efficiently identify market risk and its components (interest rate, equity, and exchange rate risks).

Operational Risk

The operational risk management and control are based on the Operational Risk Management Policy pursued by the Bank. Following the principles of this document, all structural units of the Bank and officials in charge execute activities associated with the operational risk management within the framework of their duties.

The Operational Risk Management Board of the Risk Management Department is the unit responsible for operational risk identification, assessment, and monitoring. The operational risk monitoring serves to prevent possible risk increase and verify the compliance of the operational risk management system with internal regulations and objectives of the Bank. Monitoring this type of risk provides tracking of risk dynamics in certain lines of business and risk factors. The Bank employs for this purpose a system of key indicators reflecting the operational risk level, which are theoretically and empirically related to the operational risk level assumed by the Bank.

SMP Bank used the following basic technique for operational risk response in 2012:

- Risk assumption;
- Risk reduction;
- Risk transfer;
- Risk avoidance.

The operational risk reduction includes a complex of measures aimed at minimizing the probability of events or circumstances that may result in operating loss or at decreasing (limiting) the extent of potential operating loss.

The primary method for operational risk reduction consists in developing an organizational structure and internal rules and procedures for banking operations and other transactions so as to eliminate (minimize) the probability of operational risk factors. Special attention is at the same time paid to the principle of the division of powers, to approval (coordination) and accountability procedures used for banking operations and other transactions, and to duplication of basic automated systems. Risk insurance is another method widely applied by the Bank.

Liquidity Risk

The liquidity risk management and control are executed through daily observance of statutory ratios as required by Instruction No. 110-I of the Bank of Russia. Statutory liquidity ratios are calculated daily for each transaction day before the close of business based on the data of Diasoft automated banking system and analytical findings provided by the departments of the Bank as of the reporting dates. Information on liquidity ratios and their tendencies is monthly forwarded to the Asset and Liability Management Committee.

Assets and liabilities are calculated as of the reporting dates according to maturity in compliance with Instruction No. 2332-U of the Bank of Russia and following Form 0409125: Information on Assets and Liabilities by Maturity. The calculation is aimed at detecting tendencies in the liquidity surplus or shortage coefficient and at implementing limitations set by the Asset and Liability Management Committee (ALMC). The mentioned report forms represent administrative types of reports and serve for the purpose of decision-making in liquidity management.

The received information is brought to the attention of the ALMC members and the Director of the Treasury Department so as measures may be taken where necessary.

The following management authorities and structural units of the Bank are responsible for liquidity and payment position management:

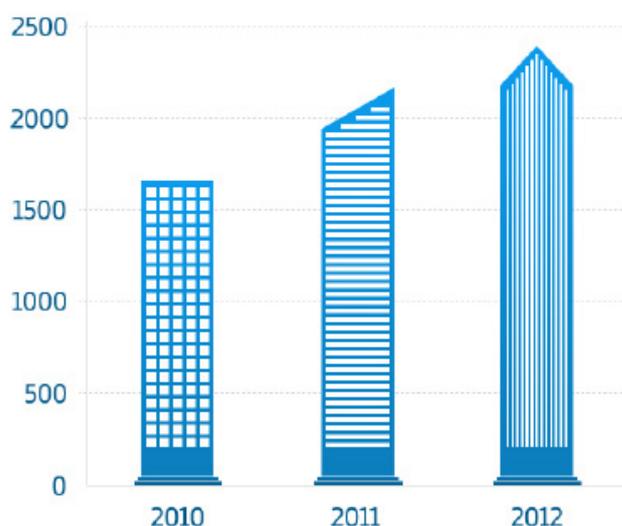
- Management Board – approves the level of interest rates;
- Credit Committee – takes decisions on active operations and sets their (quantitative) limits;
- Asset and Liability Management Committee – determines the policy for managing and evaluating the liquidity of the Bank, controls current liquidity and asset management, supervises liquidity risk management;
- Treasury Department – executes daily management of and control over the current and instant liquidity situation;
- Risk Management Department – analyses and assesses the liquidity risk;
- Accounting Department – calculates liquidity ratios.

12 Personnel Policy

The intensive development of business of SMP Bank and expanding range of products and services offered to the customers were accompanied in 2012 by a growing number of personnel and development of their professional skills. Both experts and young specialists having worked as trainees at the training center of the Bank were invited to join its team. In recruiting, special attention was paid to theoretical knowledge of relevant banking aspects; employment of personnel experienced in banking was based on practical experience and achievements.

The personnel policy pursued by the Bank is an integral system of interaction with the personnel aimed at creating conditions for optimal use of the personnel potential, stronger corporate culture, efficient motivation, and professional growth of the employees. The Bank seeks to make professionalism, stably high results, and loyalty to values reflected in the Code of Practice the requisite conditions for career progress of its employees.

Number of Personnel



2,345 persons worked at SMP Bank as of December 31, 2012.

The number of personnel grew in 2012 by 10% against the 2011 results.

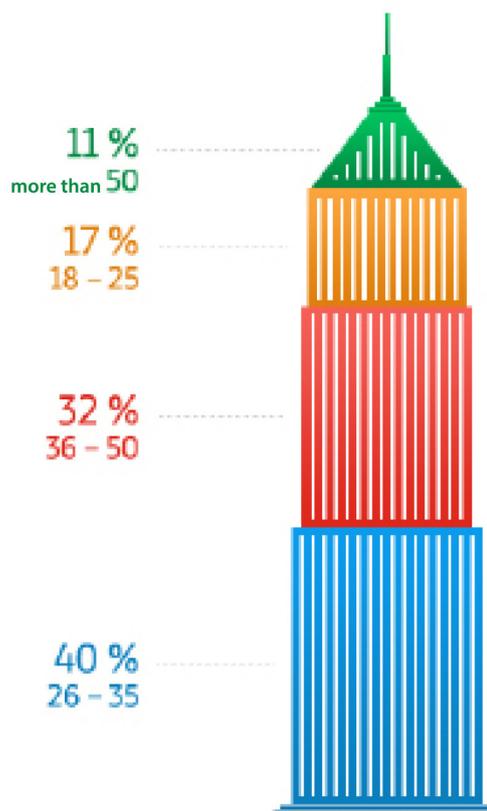
Personnel Structure by Age and Education

Employees of the Bank having higher education accounted for 70% in the reporting period (the remaining 30% were basically front line employees).

Age distribution of the employees:

- 18 to 25 years old – 17%;
- 26 to 35 years old – 40%;
- 36 to 50 years old – 32%;
- Older than 50 – 11%

The majority of the employees are at their most economically and socially active age of up to 40 years old. Combining young and initiative employees with experienced professionals who can share their knowledge and skills is an optimal age pattern for SMP Bank.



Material and Non-Material Incentives for the Personnel

The salary package provided to the Bank employees is a successful competitor in the labor market that takes into account regional and branch peculiarities of the market.

SMP Bank successfully applies the system of material and non-material incentives for its personnel. According to their results of work, the best subdivisions and employees are awarded in respective reporting periods. There are systems of awards and bonuses in the Bank based on the results of work during the year.

The labor payment and motivation system was worked out in SMP Bank taking into account different indices, such as position categories, operating effectiveness of branches and structural units, and labor market peculiarities. The salary depends on the level of complexity and importance of work performed, qualification of employees and impact of their work on the basic banking results.

SMP Bank also provides favorable terms for household and mortgage loans and credit cards.

The Bank regularly holds corporate events; each year the employees' children under 14 get New Year presents.

Personnel Training

The aim of personnel training in SMP Bank is to support the balance between maintaining the qualification level required to fulfill current tasks and raising the skills required to implement long-term projects.

The Bank management fully realizes the significance of professional development of the personnel and is convinced that high-level professional training is one of the key factors for the credibility of the Bank. The SMP Bank employees regularly attend seminars, conferences, round tables, master classes, and other events at the cost of the Bank.

Corporate Culture

The corporate culture of SMP Bank includes values and norms of behavior and work and has the following functions:

- Forms the attitude of the employees to the Bank;
- Inspires the sense of responsibility of the personnel;
- Forms the perception of succession;
- Helps to properly react to events taking place in the Bank.

The development of the corporate culture in the Bank is aimed at creating the feeling of involvement in achieving high results and strategic goals of the Bank.

The Bank applies the Code of Practice to form proper norms and traditions of corporate behavior of Russian business and internationally recognized standards and introduce them into everyday practice. According to this document, the employees in their actions and decisions should follow not only legislative requirements, but also common rules and moral standards.

Plans

The personnel management system applied in the Bank will be improved in 2013. Much attention will be paid to the adaptation of new employees, which will help to create a mechanism for evaluating professional and management skills and potential of employees based on the results of work during the first months, to introduce to new employees the history of SMP Bank, its development strategy, key lines of business, organizational and corporate structure, and social programs. The mentioned above forms a critical component of the personnel policy.

The system of appraisal, motivation, and training of personnel is also planned to be improved.

13 2013 Development Plans

Retail business (mortgage, bankcards), small and medium-sized business lending, and interaction with the state finance sector will remain for SMP Bank the key areas of the development in 2013. One of the strategic targets for the next few years will be to join the Top 30 Russian banks ranked by their assets.

SMP Bank will expand its card line by Visa Infinite and SMP Aeroflot World MasterCard Black Edition premium cards.

The cards issued by SMP Bank will be integrated with the 3D Secure online payment system. The system significantly raises the security level of online payments due to the use of a secure password received by the cardholder in an SMS message when purchasing in e-shops that support the technology of MasterCard SecureCode / Verified by Visa.

A mobile version of SMP ON-Bank internet banking is also planned to be launched in 2013. The users will be able to distribute funds in their accounts, make external transfers, and manage personal budgets with the help of an integrated system of personal financial management not only from a computer but also from mobile devices.

A number of new deposits will be introduced in 2013 including those to be made remotely and intended for different customer categories. In addition, a product will be launched within the frames of which a customer making a deposit will be able to obtain a credit card on favorable terms, without submitting a package of documents.

In the sphere of money transfer, cooperation with the Golden Crown money transfer system will be promoted in 2013 (transfers to be made via this system in all offices of the Bank).

As to the tax free check refund, SMP Bank plans to further extend the list of partner companies and start accepting Global Blue checks in subsidiary office No. 1 of its Kaliningrad Branch and in about 10 more places.

The Bank also intends to expand the line of products for large corporate customers and companies operating in small and medium-sized businesses. Currently available products will be further upgraded, and internal procedures will be optimized so as to reduce the package of required documents and speed up the decision-making. SMP Bank plans to further build up its corporate loan portfolio at rates outstripping the market average rates.

The bank also plans to introduce a deposit for corporate customers with a possibility of its addition.

In the field of acquiring, an Internet-acquiring service is scheduled for 2013. For this purpose, SMP Bank started projects in Visa and MasterCard international payment systems in 2012.

Operations in the state finance sector will remain one of the key lines of business as they provide a good margin at extremely low risks and do not need loan reserves. At the same time, the Bank does not plan a substantial increase of the current portfolio in this field and will maintain its current level.

SMP Bank intends to develop the e-commerce project providing its customers with a possibility to operate in financial markets via MetaTrader 4 trading information system used worldwide and familiar to traders.

SMP Bank will continue regional development in 2013. It plans to open another subsidiary office of the Saint-Petersburg Branch, a front office in Rossosh, and three subsidiary offices in the Moscow Region.

2012 Report Structure

1. Address by President, Chairman of the Management Board of SMP Bank
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 - Assets
 - Profits
 - Capital
 - Portfolio
3. Geographic Reach (Map) + Regional Development
4. Ratings and Ranks (Table)
 - Rank by assets, deposits, mortgage, etc.
5. Membership in Associations
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 - Board of Directors (photos, background, shareholding)
 - Management Board (photos, background, shareholding)
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9. Government Finance (Diagram and Map) + description
10. Financial Markets
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