



Meeting Expectations

ANNUAL REPORT

2013



ANNUAL REPORT 2013

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GENERAL INFORMATION

This Annual Report was compiled by the Open Joint-Stock Company the 'Russian Bank for Small and Medium-Sized Enterprises Support' (OJSC SME Bank), hereafter referred to as SME Bank.

REPORT OVERVIEW

The report highlights the performance indicators included in SME Bank's Strategy for 2013-2015 (approved by SME Bank's Supervisory Board in 2013).

STANDARDS

This report is based on SME Bank's management accounting, the 2013 consolidated financial statements of SME Bank (IAS), Central Bank's recommendations and the Sustainability Reporting Guidelines GRI G3.1 (Application Level 'B').

AUDITOR

CJSC Ernst and Young Vneshaudit are the auditors of SME Bank's consolidated financial statements for 2013.

Nexia Pacioli LLC are the auditors of the 2013 consolidated annual financial statements for JSC SME Leasing.

The 2013 SME Bank Annual Report has undergone the assurance procedure at the GRI Application Level Check for the G3.1 'B' Application level.

RATINGS FOR SME BANK

International scale long-term credit ratings for foreign currency liabilities:

Baa2, outlook: stable – Moody's;

BBB, outlook – Standard & Poor's.

International scale long-term credit rating for Russian Ruble liabilities:

BBB+, outlook: stable – Standard & Poor's.

Financial stability rating:

E+, outlook: stable – Moody's

Domestic deposits rating:

Aaa.ru – Moody's Interfax.

SME LEASING

Lending capacity:

A+ (very high) – 'Expert RA'.

Data has been consolidated across the bank group for the period from 1 January to 31 December 2013, which, in addition to SME Bank (as the parent company), also includes: JSC SME Leasing (SME Bank controls 100% of the shares) and JSC MIR (SME Leasing controlled 99.99% of the shares until July 2013).

LICENCES

Bank of Russia Licence № 3340, dated 14 September 2012, to conduct banking operations, unlimited (letter from the Bank of Russia, dated 20.09.12)

SME Bank is not involved in the mandatory insurance of individuals' deposits since no licence to conduct banking activity with individuals is available.

Professional Member of the Securities Market, Licence № 077-11355-010000, dated 24.06.2008, to conduct broker-dealer activity.

CONTACT DETAILS

SME Bank:

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(The Bank does not have any other offices in the Russian Federation or abroad)

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E-mail: info@mspbank.ru

Website: www.mspbank.ru

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SME Leasing:

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Fax: +7 495 646-82-49

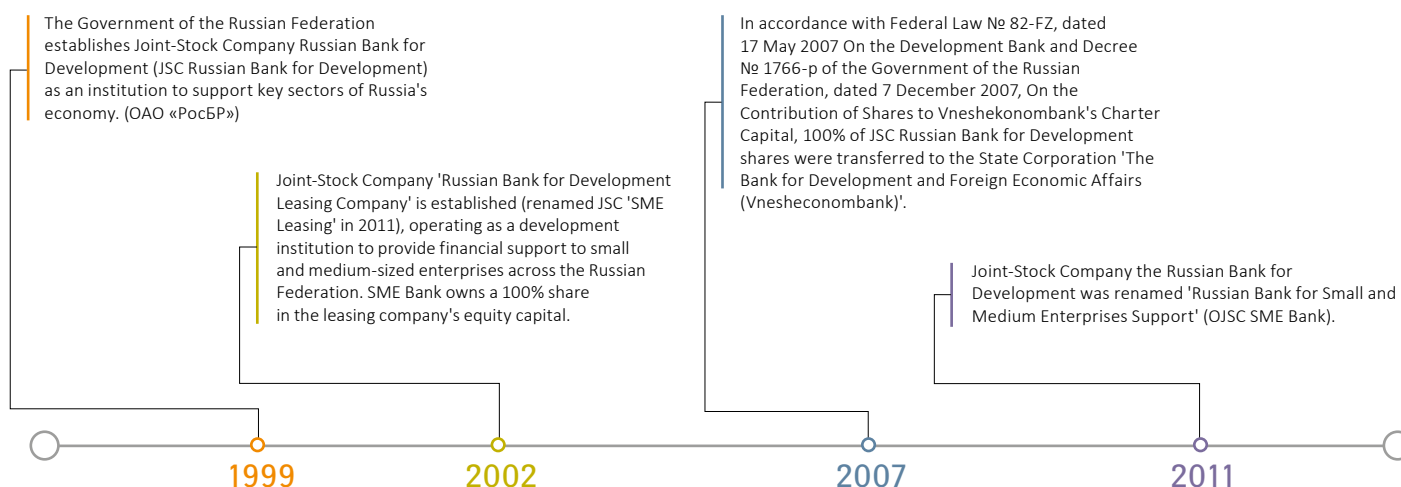
E-mail: info@mspleasing.ru

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SME BANK HISTORY



MISSION

SME Bank is focused on supporting strategic growth areas in the small and medium-sized enterprises (SME) sector, resulting in an exponential impact on the Russian economy and the development of new markets for SME financing.

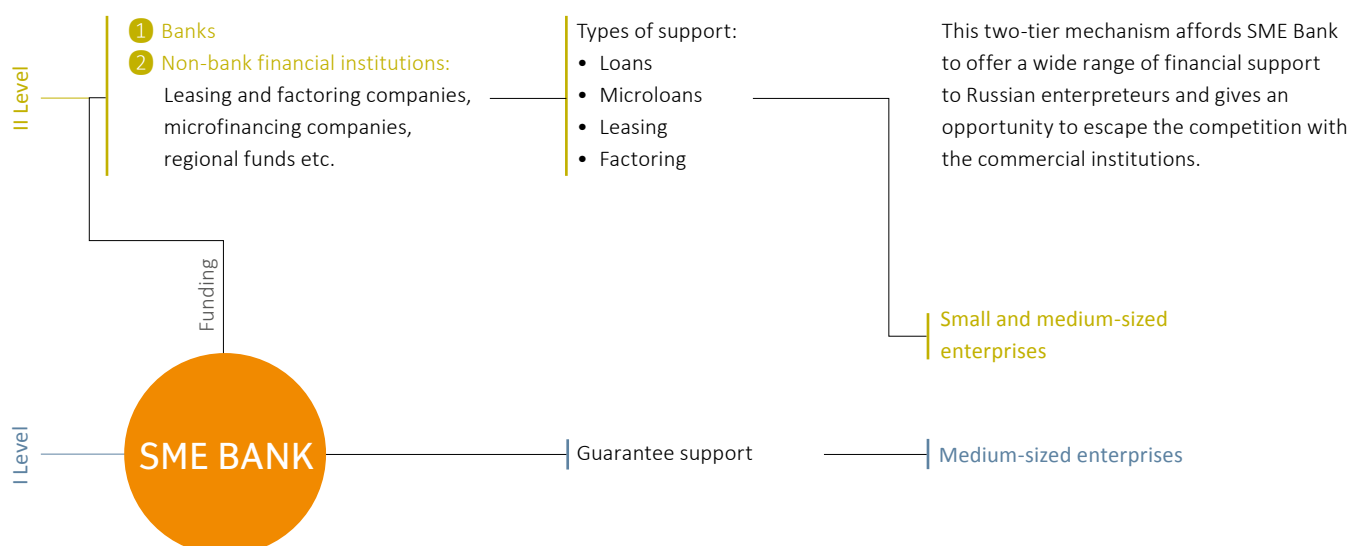
It is an essential part of the Bank's mandate to create a favourable business climate for SMEs. Initiatives introduced to facilitate this aim include programmes to enhance financial literacy and to develop the creative potential of young graduates.

SME SUPPORT ELIGIBILITY CRITERIA *

Average number of employees	15	100	250
	Micro	Small	Medium
Annual revenue (million roubles)	60	400	1 000

* Art. 4 of Federal Law № 209-FZ: On the Development of Small and Medium Enterprises in the Russian Federation'.

SME BANK'S TWO-TIER SUPPORT PROGRAMME



THE BANK'S POLICY OF CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

In December 2013 SME Bank's Supervisory Board approved a policy of corporate social responsibility and sustainable development, designed to increase the efficiency of the Bank's business and operations and improve the Bank's risk management system. The policy provisions are consistent with the strategic objectives and priorities of SME Bank's Development Strategy for 2013-2015.

THE POLICY IS BASED ON THE FOLLOWING GUIDELINES:

- The concept of the Russian Federation's long-term social and economic development for the period until 2020, approved by Decree № 1662-p of the Government of the Russian Federation, dated 17 November 2008
- International Standard ISO 26000:2010: Social Responsibility
- The Global Reporting Initiative's (GRI) sustainability reporting guidelines
- Vnesheconombank's regulations on the Corporate Social Responsibility Policy. Vnesheconombank's Strategy for corporate social responsibility for 2012–2015
- Best practices of Russian and international financial development institutions

SME BANK'S PRINCIPLES OF SUSTAINABLE DEVELOPMENT



Openness and transparency



Responsibility to stakeholders



Participation in projects that are socially and environmentally worthwhile



Compliance with the best practices of Russian and international financial development institutions

SME BANK'S SUSTAINABLE DEVELOPMENT OBJECTIVES

1. Increase the Bank's social, economic and environmental performance, based on stakeholders' expectations

▶ see a scheme of value creation chain 8-9

2. Minimise the Bank's negative social and environmental impact

▶ see environmental data 28, 33, 64-67

3. Enhance the level of corporate social responsibility amongst the Bank's partner organisations

▶ see typical standards data* 8

4. Reinforce stakeholders' trust in the Bank's activity and performance

▶ see strategy data 10-11

5. Increase labour efficiency and create favourable career opportunities for Bank staff

▶ see corporate culture data 52-55

* Data on typical standards for partner banks and test results

ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD



Dear Colleagues, Partners and Friends,

The year 2013 can undoubtedly be referred to as a challenging year for business. The slowdown in the economy's growth to 1.3% of GDP put small enterprises in a situation with a tough choice to make: to take a risk and carry on with modernisation projects by relying on state support, or to cut back on their investments. This quandary has had a significant impact on the performance of our borrowers. In response – and in cooperation with our partners - SME Bank has developed a series of new loan products and is about to launch a guarantee support mechanism for medium-sized businesses.

Intense stakeholder involvement in this work during 2013 helped the Bank to revamp its existing product line to ensure that customers' needs were met. The essential feature of these products is their long-term duration and relatively low interest rates (in the range of 12-13%). Therefore, despite the current macroeconomic difficulties, we continue to pursue our core mission: providing small and medium-sized enterprises in Russia with long-term financing at preferential rates.

Last year, a fundamentally new and long-awaited product was added to our range of well-established financial instruments – a state guarantee for the development of investment projects for medium-sized enterprises. The total amount of guarantees issued in 2013 exceeded RUB 1 billion. Supported initiatives include various projects in printing production, IT, the food industry, non-ferrous metals production and timber processing; construction has also been started on manufacturing plants for environmentally friendly fuel.

The approval of SME Bank's Development Strategy was an important event in 2013. One of our key objectives is to support strategic growth areas in the small and medium-sized enterprises sector, thereby generating a tangible multiplicative impact on the real economy.

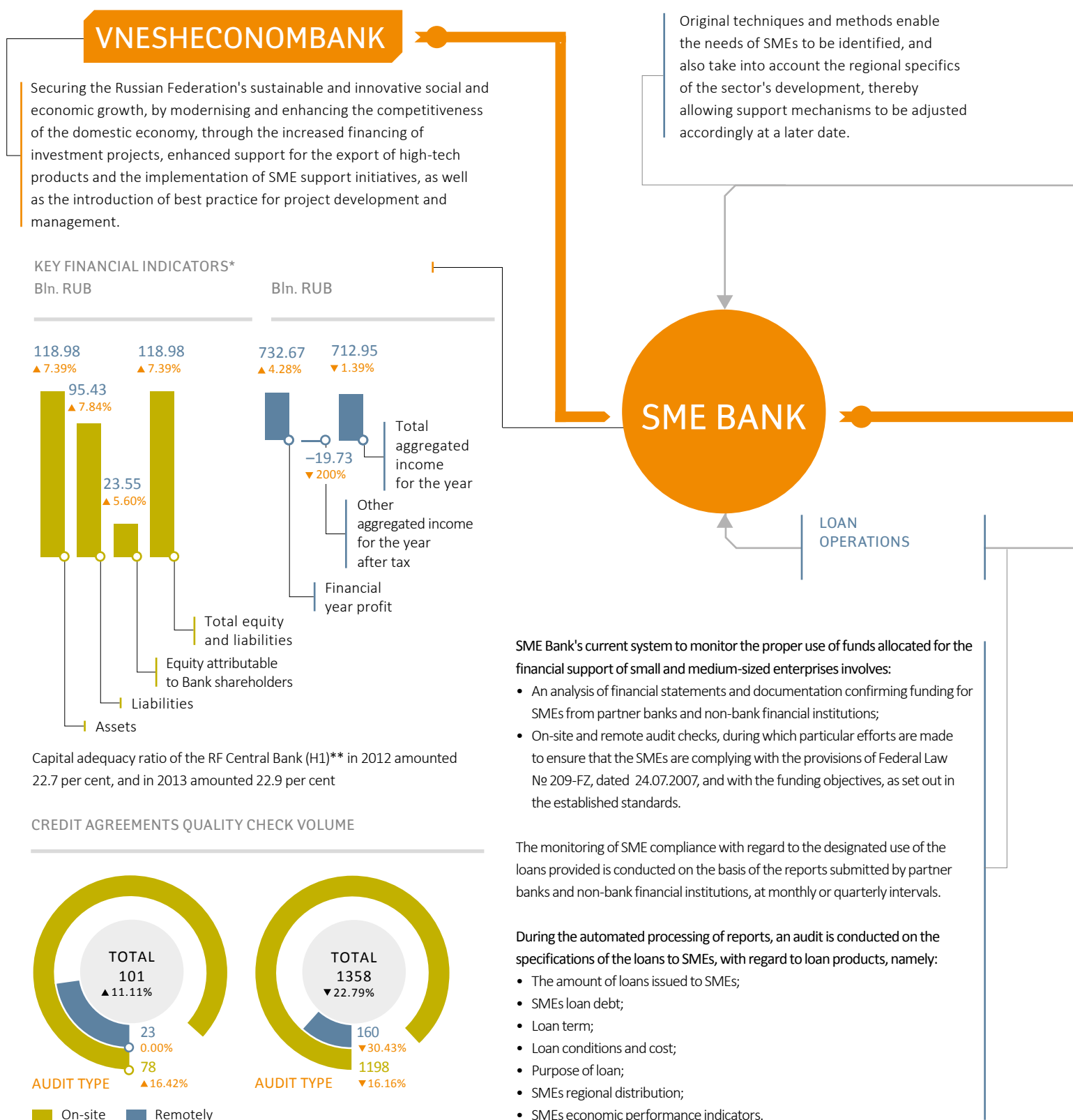
The Bank is not only focused on providing financial support to SMEs – creating a favourable climate for small and medium-sized enterprises is one of the Bank's primary goals. Establishing the necessary information sources to enhance entrepreneurs' financial literacy and developing Russian students' creative potential form a crucial part of this process.

The current economic slowdown has confirmed the urgent need to implement a road map for Russia's innovative development. Introducing new technologies, modernising the country's manufacturing facilities, and renewing fixed assets, creating new high-sophisticated jobs, have therefore become even more immediate issues. We fully understand that these projects require constant monitoring and preferential financing.

I am confident that the efforts we made in 2013 laid solid foundations for the Bank's future development, transforming it into a comprehensive development institution in the SME segment. In cooperation with our partners, we are already making a much-needed contribution to the development of small and medium-sized manufacturing enterprises in Russia. Our objective remains to increase this contribution as much as possible, despite any economic difficulties.

Sincerely yours,
Sergey Krjukov

VALUE CREATION CHAIN



* Based on JSC SME Bank's 2013 consolidated financial statements (IFRS).

** In accordance with the requirements of the RF CB, the banks' capital adequacy ratio should be maintained at no less than 10% of the total assets, weighted and calculated based on the margin for risk and in line with Russian Accounting Standards.

SME Bank's analysis centre has completed over 30 research studies, including:

- An index of Regional Participation in SME Bank's Financial Support Initiative
- SME Business Conditions Index
- 'Financial Crossroads' Index
- Russia in the WTO: Assessments from SME Directors
- Medium-sized Enterprises in Russia: The Latent Potential
- The Development of Small and Medium-sized Enterprises. Comparative analysis of foreign and domestic experience

MONITORING SME NEEDS

FINANCIAL EDUCATION INITIATIVE

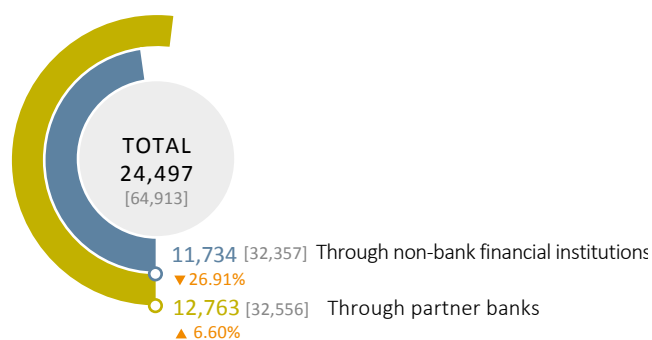
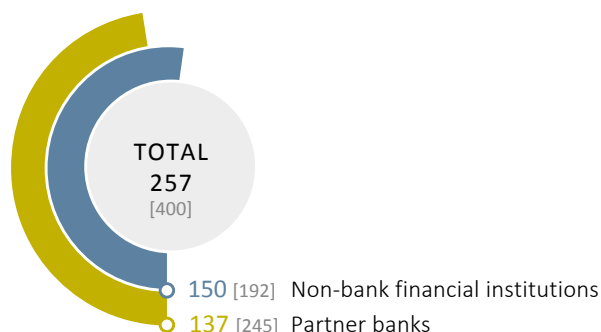
Number of educational events held	25
Number of attendees at the educational events held	2,200
Number of scholarships issued	3
Number of financial educational institutions receiving support	1

PARTNERS

ENTREPRENEURS (SMEs)

NUMBER OF MEMBERS IN THE PROGRAMME*

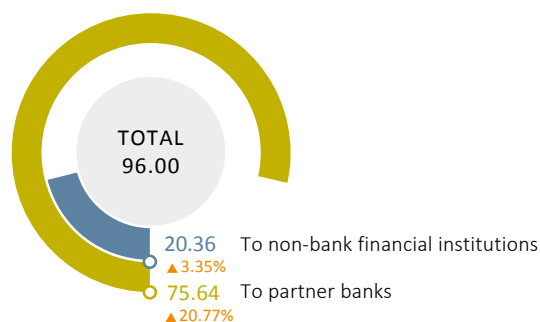
NUMBER OF ACTIVE CONTRACTS WITH SMES, ITEMS



SUPPORT OPTIONS FOR THE PARTICIPANTS*

	01.01.2013	01.01.2014
Partners' loan indebtedness amount, billion roubles		
banks	70.84	83.84 18.35%
non-bank financial institutions	23.90	21.29 10.96%
Amount of assets provided to partners, billion roubles		
banks	[142.27]	[181.38] [27.49%]
non-bank financial institutions	[66.07]	[84.25] [27.52%]

OUTSTANDING DEBT OF SME SUBJECTS TO PARTNER BANKS AND NON-BANK FINANCIAL INSTITUTIONS, ROUB BLN



* [] – Cumulative figures for the period dating from the launch of the Programme, as of 01.01.2014

STRATEGIC PRIORITIES

Under the medium-term development strategy adopted in 2013, SME Bank will aim to ensure that the high level of its expertise is recognised, and to consolidate its role in the system of state support for the development of small and medium-sized enterprises.

THE MISSION AND APPROACH OF SME BANK IS BASED ON SIX BASIC PRINCIPLES:

- 1 Develop a niche strategy that is focused on state priorities.
- 2 Prioritise the non-trade sector and growth areas for an innovative model of Russia's economy.
- 3 Create an effect, appreciable for SME market and community.
- 4 Utilise the Bank's key strategic advantage – the long-term lending capacity
- 5 Move towards minimal shareholder recapitalisation.
- 6 Actively develop markets for SMEs nonbank financing.

SME Bank's medium-term strategy envisages the bank adhering to the principle of niche promoting in a limited number of priority areas.

Implementing a niche strategy involves a two-tier model, under which the Bank will continue to pursue its initiatives through a network of partners.

In terms of development, the Bank anticipates extending the two-tier lending model, using mechanisms for adopting risk from the final borrower: buying up designated loan portfolios, providing guarantees, being a member of syndicates and working through partner foundations.

STRATEGIC AIMS

Based on analysis of the market coverage for SME financing and the Bank's mission, the Bank's strategic aims for 2013–2015 are as follows:

- Step up the provision of financing for non-trade SMEs, including innovative SMEs (entrepreneurs involved in the commercialisation of scientific advances, the modernisation of production assets and the introduction of energy-efficient technology);
- Promote the development of new markets for the provision of SME financing ("new markets" is defined here as markets in which the weight of SME financing in total is less than 5%).

PRIORITY CLIENT SEGMENTS

The Bank intends to focus on the financial needs of the following priority client segments to achieve its strategic aims:

1 Innovation sector SMEs

This segment includes the complete spectrum of small and medium-sized enterprises involved in the commercialisation of scientific advances, the modernisation of production facilities and the introduction of energy efficient technology.

Representatives within this segment require all types of financing, but long-term financing here is a priority.

2 Non-trade SMEs (non-innovative sector)

This segment consists of small and medium-sized enterprises that are unable to secure long-term bank loans at market conditions.

Long-term financing is a key requirement for enterprises in this segment.

3 Small and micro-enterprises, for which bank lending, for various reasons, is difficult

Representatives in this segment require both short-term and long-term financing.

4 Developing SMEs

This segment consists of micro-enterprises in all the sectors of the economy that are still at the initial development stage, implying that they are denied access to bank products.

Enterprises in this segment require financing on any reasonable terms and conditions.

KEY SUPPORT MECHANISMS

SME Bank's strategy for 2013–2015 envisages meeting the needs of the priority client segments in terms of external financing.

Key support tools for SMEs include:



Bank loans



Equity participation



Factoring



Micro-financing



Leasing

STRATEGIC NICHE*

THE CORRELATION BETWEEN PRIORITY SEGMENTS AND FINANCIAL FACILITIES FOR SMES

			Client segments			
			1	2	3	4
Financial facilities	Long-term financing (5–7 years)	Bank loans	•	•		
		Equity participation	•			
		Leasing			•	
	Short-term financing (up to 3 years)	Factoring			•	
		Micro-financing				•

* The Bank's activities are not limited to these financing facilities. SMEs in the innovative sector, for example, can take advantage of the Bank's leasing products

SME BANK'S STRATEGIC OBJECTIVES TO INCREASE THE BANK'S STRATEGIC NICHE PENETRATION:

- 1 Bank lending to SMEs in the innovative sector
- 2 Long-term lending to non-trade SMEs aside in the innovative segment
- 3 Equity participation (investment) in innovative SMEs
- 4 Leasing
- 5 Factoring for non-trade SMEs
- 6 Microfinancing

STRATEGY EFFICIENCY CRITERIA

- Achieving the target strategic indicators of SME financing (Achieving the target level of Bank's importance);
- Profitability;
- Providing funds to the highest priority borrowers at a rate of below 10% per annum.

• STRATEGIC INITIATIVES

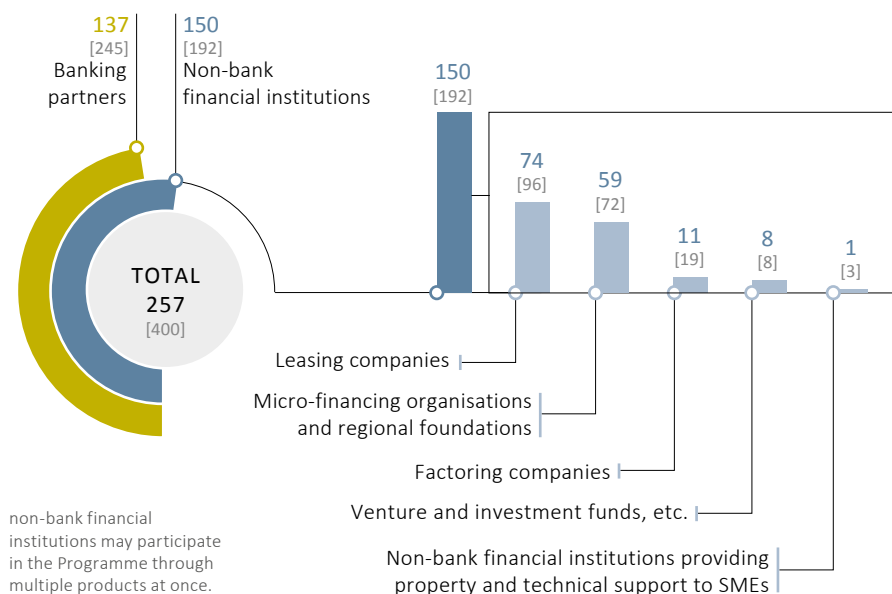
The Bank plans to implement the following initiatives to achieve its strategic goals and objectives:

- Introduce the principle of interest rate differentiation, depending on the priority of the final borrower;
- Introduce a refinancing tool for partner banks (with a possible securitization scheme);
- Transform and revamp product lines based on providing 'straight-through' products for final borrowers;
- Adopt the final borrower's risk in selected niches, through the use of guarantee facilities, the purchase partner bank loan portfolios and participate in syndicates;
- Participate in the shares of direct investment funds (in cooperation with the Agency for Strategic Initiatives);
- Develop SME Bank's PR Support as an information and analysis centre for Russia's SME segment.

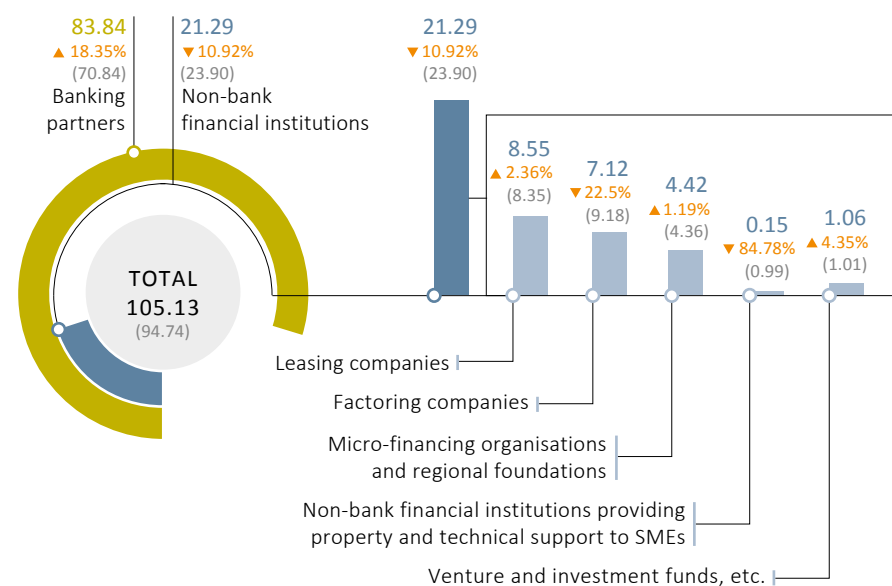
SME BANK KEY PERFORMANCE INDICATORS AS A DEVELOPMENT INSTITUTION

SME BANK'S COOPERATION WITH PARTNERS

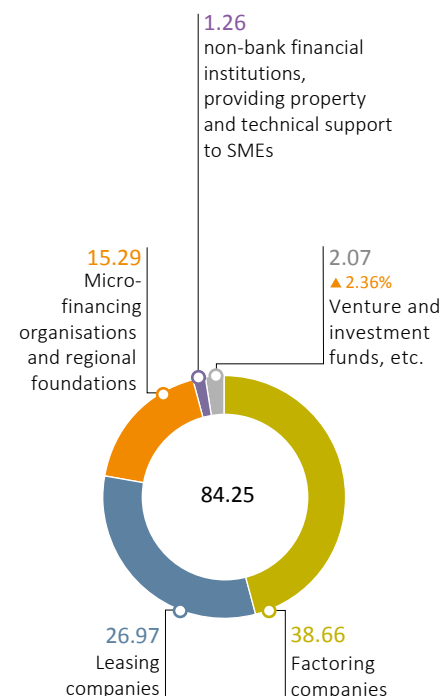
NUMBER OF SME BANK PARTNERS UNDER CREDIT AGREEMENTS AS OF 01.01.2014, ITEMS*



LOAN INDEBTEDNESS AS OF 01.01.2014, RUB BLN**



AMOUNT OF ASSETS PROVIDED BY SME BANK TO NON-BANK FINANCIAL INSTITUTIONS (INCREMENT TOTAL), RUB MLN



Number of Bank partners
under credit agreements as
of 01.01.2014

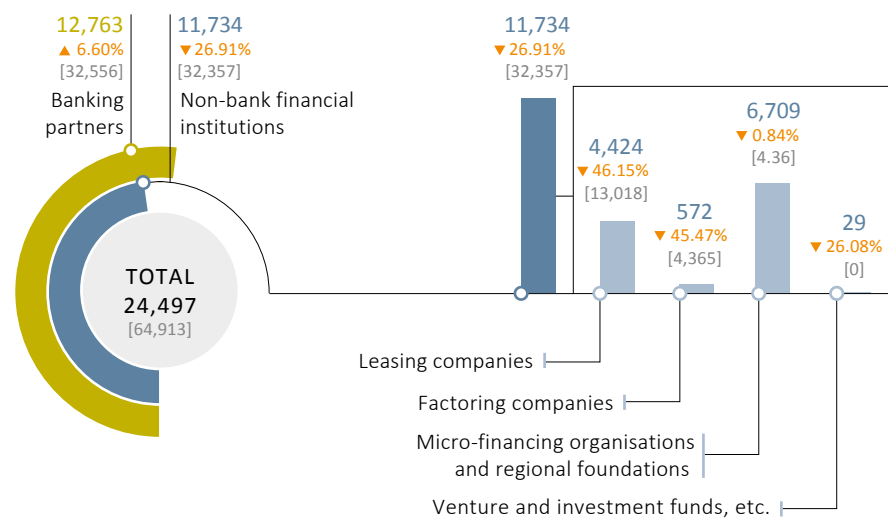
257

* [] – data in increment total for the period since the beginning of implementation of the Programme until 01.01.2014

** () – data as of 01.01.2013

SME SUPPORT PROVIDED BY PARTNERS

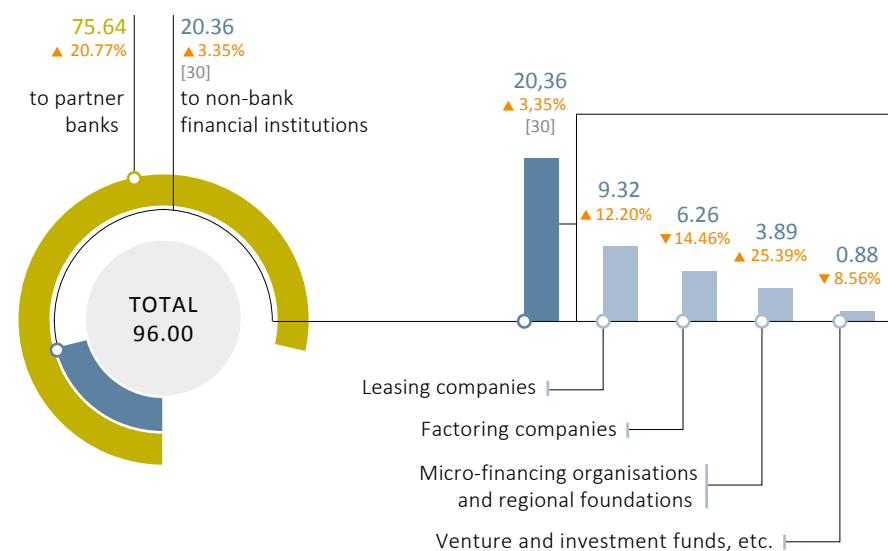
NUMBER OF CONTRACTS IN FORCE MADE WITH SME SUBJECTS, ITEMS*



Number of contracts awarded to SMEs on 01.01.2014 amounted to

24,497

OUTSTANDING DEBT OF SME SUBJECTS TO PARTNER BANKS AND NON-BANK FINANCIAL INSTITUTIONS, RUB BLN*

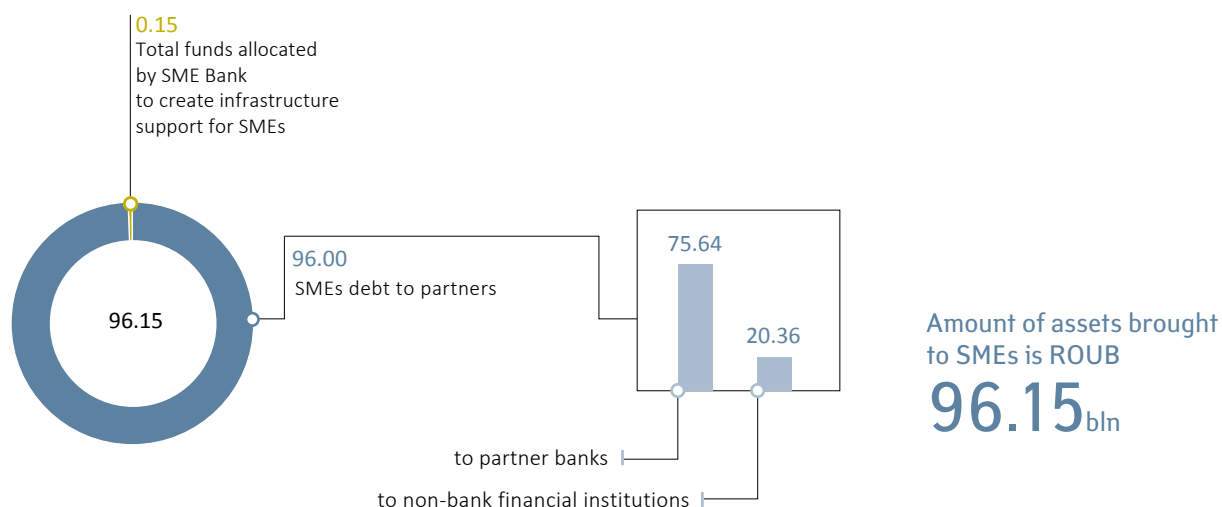


Outstanding debt of SMEs to partner banks and non-bank financial institutions is

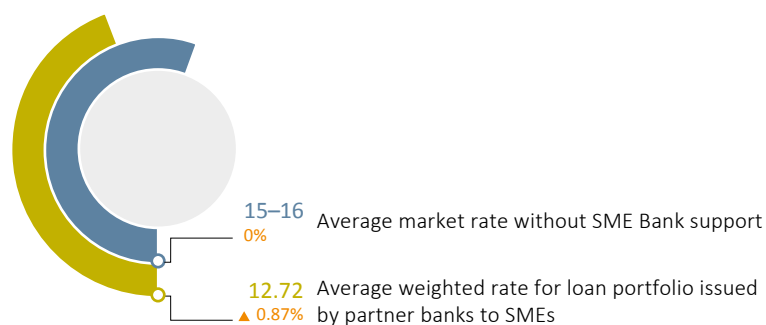
RUB 96.00 BLN

* [] – data in increment total for the period since the beginning of implementation of the Programme until 01.01.2014

TOTAL FUNDS ALLOCATED TO SMEs, BILLION ROUBLES



INTEREST RATES AS OF 01.01.2014, PER CENT PER ANNUM



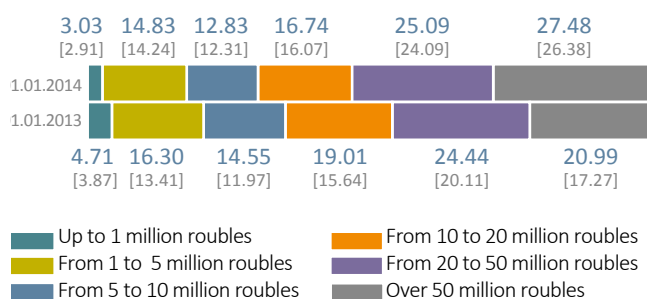
GUARANTEE SUPPORT FOR MEDIUM-SIZED ENTERPRISES (AS OF 01.01.2014)

Framework agreements	18	30.38 billion roubles
Guarantees issued	9	1.06 (planned 1.05) billion roubles
With Bank funding	8	0.48 billion roubles
Guarantee-secured loans		2.2 billion roubles
With Bank funding		1.02 billion roubles
Average loans rate		11.6%

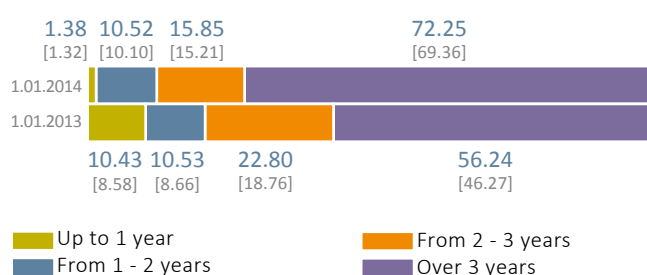
Average loans rate
11.6%

SME SUPPORT PORTFOLIO STRUCTURE

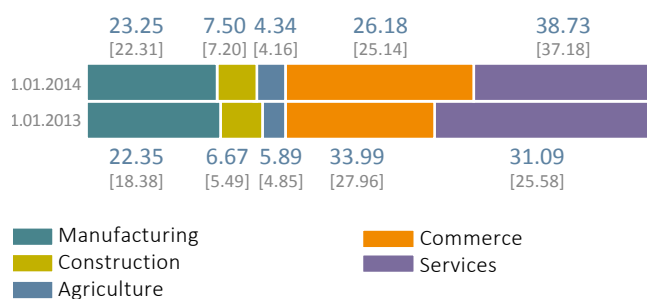
LOANS*, %



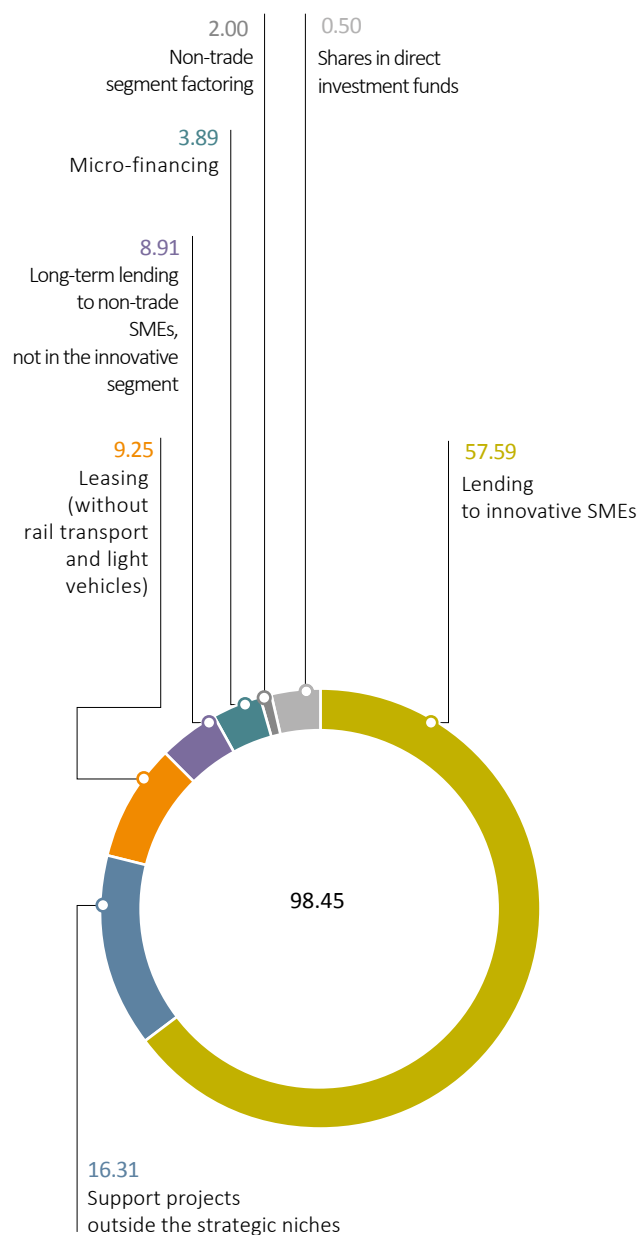
LOANS BY MATURITY*, %



BY INDUSTRY SECTOR*, %



BREAKDOWN OF STRATEGIC NICHES SUPPORT (AS OF 01.01.2014**), Billion ROUB



* [] – amount, RUB bln

** Strategic niches accounting is done since 2013 on the basis of statements of the 2013-2015 Strategy

MARKET OVERVIEW

MACROECONOMIC INDICATORS

The macroeconomic situation in Russia continued to decline in 2013. 2013 can be described as the most challenging year since the 2008 crisis. GDP growth for the year reached 1.3%, against 3.4% in 2012.

Inflation remained high in 2013, at 6.5%, which is higher than the Bank of Russia's target rate (5-6%). Core capital investment in 2013 fell by 0.3%, against a rise by 6.6% for this figure in 2012. Manufacturing growth for December increased only slightly, by 0.8% in annual terms. Growth remains sluggish as a result of a lack of investment, substantial capital outflows and a depleted demographic capacity: Russia's unemployment rate is low (5.5% according to the RF Ministry for Economic Development and Trade), and the economically active population continues to decline.

Business confidence in the economy has also decreased. According to Rosstat data, the business confidence index in the manufacturing sector fell to -8% in December 2013 (from -5% in December 2012).

In this current climate, consumption has remained the main 'powerhouse' of the economy, buoyed by dynamic lending and a rise in earnings. Retail trade turnover for December rose by 3.8% in annual terms. However, growth in retail lending has started to slow and as of 2014, the rate of growth with regard to public sector salaries will also start to decline.

As a result, expectations for 2014 are gradually falling. If in Q3 2013, the forecast with regard to GDP growth in 2014 from the RF Ministry of Economic Development and Trade was 3.0%, by in December, it was reduced to 2.5% (in May 2014, it was reduced further to 0.5%).

GDP year-end growth rates totalled
1.3 per cent

2013 year-end inflation remains
a high
6.5 per cent

Business confidence index
(in manufacturing industry)
fell to
-8 per cent

	2012, %	2013, %	Change, per. pts
GDP growth	3.4	1.3	▼ 2.1
Economic investment	▲ 6.6	▼ 0.3	▼ 6.9
Growth in retail lending	23.4	15.6	▼ 7.8
Growth in total loans issued	10.7	20.1	▲ 9.4
Growth rate of the combined market loan portfolio	20.8	17.9	▼ 2.9

SMEs AND BUSINESS PERFORMANCE

Russia's general macroeconomic situation is having a negative impact on the development of small and medium-sized enterprises. By the end of 2012, the total number of enterprises in the SME sector had reached 2, 017,000. Throughout 2010-2012, the steady growth in the number of enterprises only affected the microbusiness segment – the number of micro-businesses increased from 1, 415 thousand to 1, 760 thousand (+24%). The rise in the number of small enterprises was much more moderate: an increase of only 14,000 companies (from 229.1 thousand to 243,000, i.e. +6%). The medium-sized enterprises segment indicated a negative trend – if, based on the results for 2010, there were 25.2 thousand medium-sized enterprises up and running in Russia, then this number had fallen to only 13.8 thousand by the end of 2012.

The number of small enterprises fell last year by 3% (to 235,000), but the number of micro-businesses was up by 4% (1,828, 000).

The trend is even more alarming as far as individual enterprises are concerned. The hike in insurance contributions at the beginning of 2013 impacted strongly on individual enterprises. As of the beginning of 2012 in the Russian Federation, according to Federal Tax Service data, 3, 957,000 individual entrepreneurs were registered, against 3,882,000 (-1.9%) at the start of 2013. In the following six months, a huge wave of individual enterprises were withdrawn from registration: these enterprises either ceased trading or moved into the shadow sector of the economy. At the beginning of 2014, the Federal Tax Service held information pertaining to 3, 382,000 active individual entrepreneurs (-12.9% since 2013).

Employment in SMEs (as opposed to in individual enterprises) for 2010–2012 increased only by 2.9% (from 17.6 million to 18.1 million).

Growth in company turnover in the SMEs sector in 2011 and 2012 reached 5.4 and 1.5% respectively, not exceeding the rate of inflation (6.1 and 6.6%). Therefore, business performance was down in real terms in the SME sector for the period in question.

According to Rosstat data, RUB 729 billion was invested into fixed capital by small and medium-sized enterprises in Russia. Against the figures for 2011, nominal growth reached 5.1%, not exceeding the rate of inflation for 2012 (6.6%). Therefore, investment fell in 2012 in real terms.

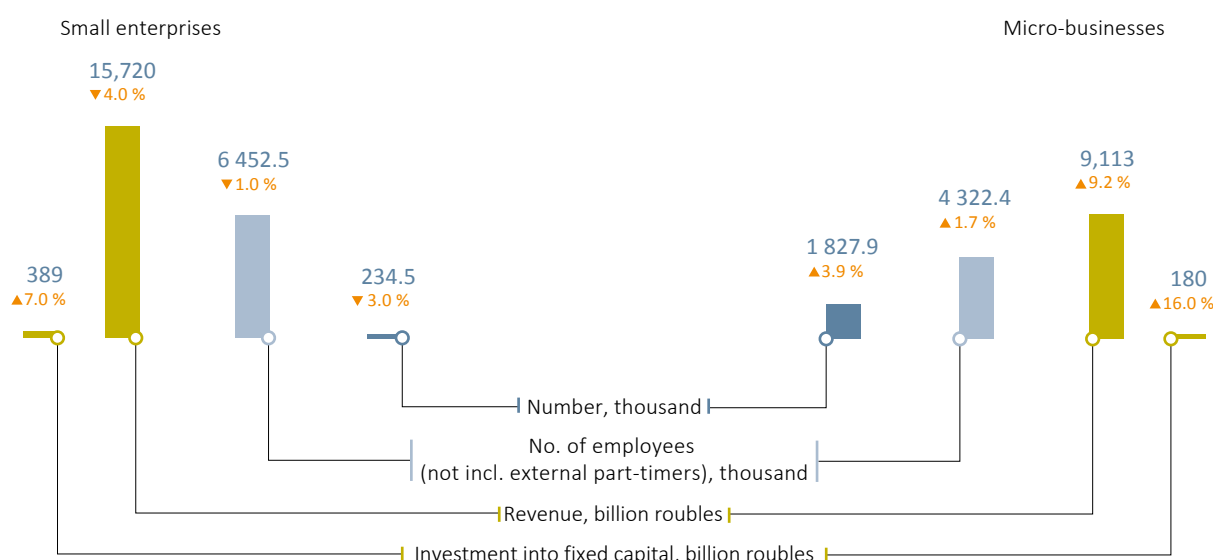
Number of individual entrepreneurs registered in Unified State Register of Individual Entrepreneurs as of the end of 2013 (including non-active ones) totalled

3.4 mln people (-12.9 per cent).

Number of SME (legal entities) as of the end of the 2012 totalled more than

2 mln entities.

DEVELOPMENT TRENDS FOR SMALL ENTERPRISES (2013)*



* At the time of drafting the report, 2013 results data was only available for the small enterprises segment (incl. micro-businesses).

SME LENDING MARKET

The market growth in bank lending in 2013 generally conformed to the trends set in 2011–2012: a drop in the business share in the combined portfolio (both SMEs and large corporate enterprises), outpacing growth in the portfolio of loans to individuals and reducing the maturity of loans issued in the lending market.

The bank lending market to SMEs has continued to slow. By 2013 year-end, the total current loans portfolio amounted to RUB 5.2 trillion, representing a gain of only 14.8% (against 16.9% in 2012). The number of loans being issued is increasing at a slightly higher rate (+16.2%), simultaneously indicating a continuation of the trend towards a decrease in the average lending term to SMEs.

The total lending pattern is broken down in terms of bank size and shifts slightly towards the largest market players – the banks' share in the Top 30 in terms of assets was up by 2.5 percentage points at 53.2%, against the figure for 2012.

A significant trend is marked by the decline in the share of investment lending. In 2013, the average loan term to SMEs continued to fall, indicated by the advanced increase in the number of loans issued (+16.2%) against the actual growth of the portfolio (+14.8%) in the segment; in addition, research completed by the ratings agency Expert RA shows that, based on the results for 2013, the proportion of loans issued for a loan term of over 3 years fell to 15% (against 17% in 2012 and 19% in 2011). This decline has mainly occurred as a result of changes to the market structure with regard to lending purposes – loans are increasingly being issued to replenish working capital.

Payment arrears on the SME lending market for the year fell in both absolute (– RUB 11.8 billion), and in relative terms – from 8.4% as of 01.01.2013, to 7.1% on 01.01.2014, reaching, in total, RUB 365.4 billion.

In 2014, SME Bank's Analysis Centre has forecast a further slowdown in market growth. According to the Centre's forecast, the total amount for loans issued in 2014 could range from RUB 8.8 to 9 trillion, corresponding to an increase of 9.0–11.5%.

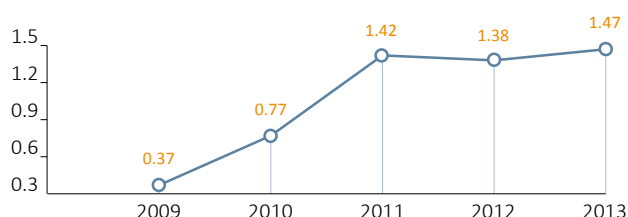
Growth in the SME loan portfolio is expected to be more modest, at 8.5–11.5%, i.e. the Centre's forecast anticipates that the amount of loan liabilities will reach RUB 5.60–5.75 trillion, based on the results for 2014.

The share of TOP-30 banks in the total volume of loans issued to SMEs increased by 2.5 per. pts. in comparison with 2012 and amounted to

53.2%

	2012, %	2013, %	Change, per.pts.
Rate of growth in the number of loans issued to SMEs	14.6	16.2	▲ 1.6
Rate of growth in the SMEs debt portfolio	16.9	14.8	▼ 2.1
SMEs payment arrears	8.4	7.1	▼ 1.3
SMEs share in the combined market loan portfolio	16.47	16.04	▼ 0.43

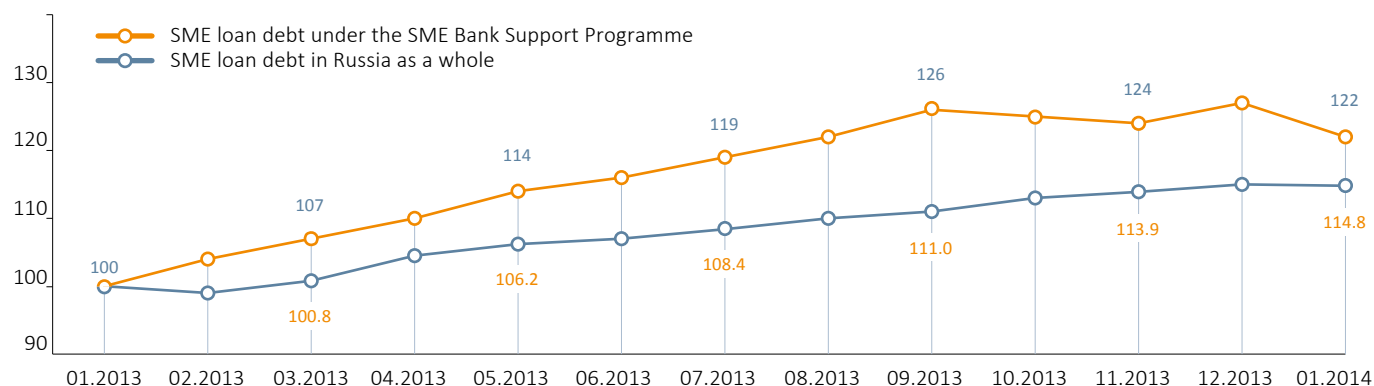
DEVELOPMENT OF THE SHARE OF SME BANK'S SUPPORT PROGRAMME IN THE OVERALL MARKET %



Share of the SME Bank Programme in total market amount rose in 2013 from 1.38 to

1.47 per cent

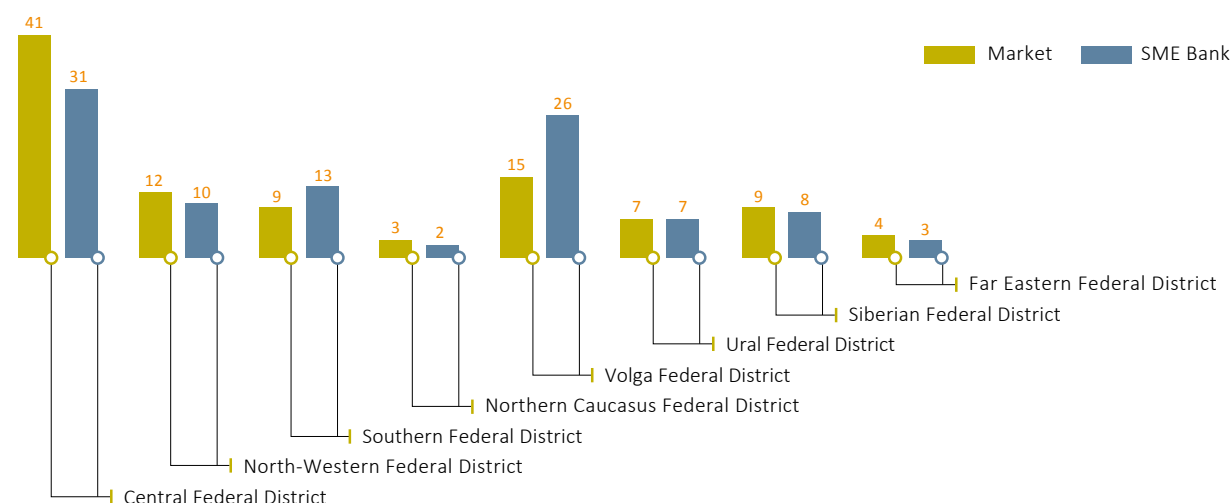
CHANGE PROGRESSION IN THE TOTAL SME LOAN DEBT UNDER SME BANK'S SUPPORT PROGRAMME*

SHARE OF SME BANK'S PROGRAMME
IN THE TOTAL SME LOAN DEBT, BY THE 5 REGIONAL LEADERS

Constituent Entity of the RF	Share, %
Republic of Tatarstan	4.12
Mari El Republic	3.79
Kamchatka Krai	3.41
Chelyabinsk Region	3.25
Ivanovskaya Region	3.15

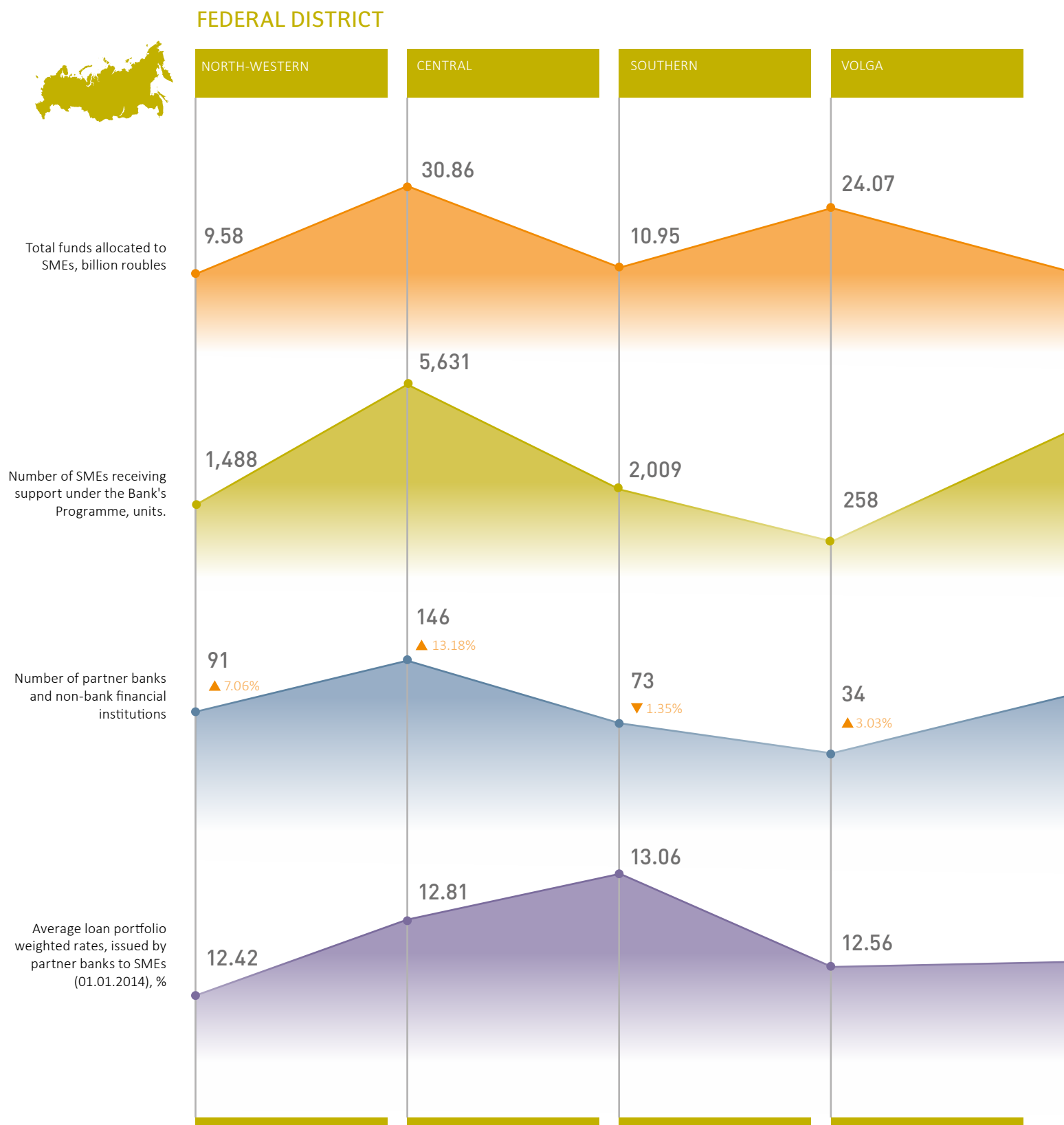
SME Bank's support programme has achieved a relatively high percentage of penetration in the regions listed above (with the exception of the Republic of Tatarstan), due to social orientation being a key Bank policy: the development of the Bank's support programme is a high priority in regions with a less favourable economic climate and where the support system for SMEs is as yet undeveloped; as a result, entrepreneurial drive and activity in these regions is weak. In the Republic of Tatarstan, the high share of the Bank's support programme in the SME lending market is due to the proactive stance of the regional administration and the banks participating in the programme.

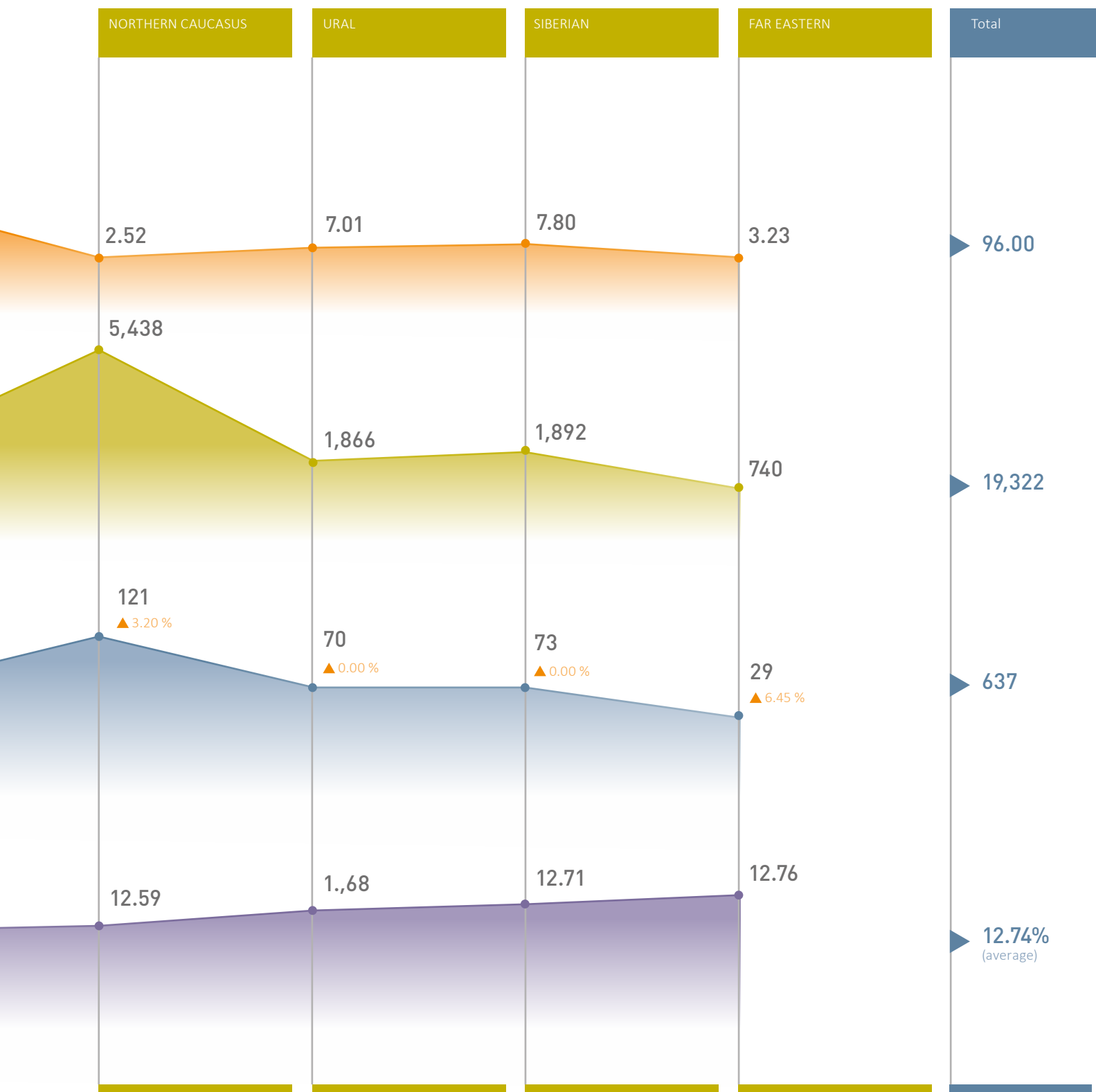
TOTAL SME BANK LOAN DEBT AS OF 01.01.2014, %



* Only includes loans provided to SMEs by partner banks.

GEOGRAPHICAL REACH OF THE BANK'S ACTIVITIES 2013





EVENTS

MARCH

A new product was introduced, developed in cooperation with the German State Bank for Development, Kreditanstalt für Wiederaufbau (KfW): **'SME-Baltika Plus'**. This product is designed to support modernisation and innovation projects by SMEs in the Baltic region: Kaliningrad Region, Leningrad Region, Novgorod Region, Pskov Region and the city of Saint Petersburg.

APRIL

In a decision by Vnesheconombank's Supervisory Board, dated 26.04.2013, **SME Bank was appointed as the operator of the guarantee mechanism**, being implemented in accordance with the Government of the Russian Federation Decree № 1451, dated 28 December 2012. Guarantees are being issued to banks that are providing loans to medium-sized enterprises for investment projects, in line with the provisions of Order № 143 of the RF Ministry of Economic Development and Trade, dated 21 March 2013 On the Approval of the Selection Criteria for Russian Organisations, which are Medium-Sized Enterprises and the Investment Projects Being Implemented by Them. The maximum amount of commission for issuing a guarantee currently stands at 1.8% per annum.

JUNE

The SMR Bank Supervisory Board met and approved SME Bank's Strategy for 2013–2015.

SME Bank and an expert group on financial literacy at the Federal Financial Markets Service held a **Financial Literacy Week in the Altayskiy Krai and the Republic of Altai**. Experts from the Bank gave lectures and presentations at nine events in the following cities: Barnaul, Biysk, Belokurikha, Zarsinsk and Gorno-Altaysk (six in the Altayskiy Krai and three in the Republic of Altai).

AUGUST

SME Bank provided the first state guarantee for a loan repayment to **Vozrozhdenie Bank**. The loan was issued to 'Istratek' LLC (Zhukovskiy, Moscow Region) for a project to expand the production and output of printed products and printed media. Total project cost: RUB 120 million.

A new product was introduced, developed in cooperation with the German State Development Bank, Kreditanstalt für Wiederaufbau (KfW): **'SME. Baltika - Innovations'**. This product is designed to support modernisation and innovation projects by SMEs in the Baltic region.

SEPTEMBER

As part of the XII International Investment Forum, Sochi 2013, SME Bank and the Agency for Strategic Initiatives (ASI) signed a **Memorandum on Cooperation and Collaboration in the Implementation of Small and Medium-sized Enterprises Projects in Russia**. The document was signed in the presence of the Prime Minister of the Russian Federation, Dmitry Medvedev. The memorandum provides for the management of the MIR Fund, in particular, of which SME Bank is an investor.

SME Bank held a series of seminars and master classes for small and medium-sized Enterprises, based on the results of the State Financial Support Programme for SMEs being implemented by SME Bank. The events were organised in four cities in the Far Eastern Federal District: Petropavlovsk-Kamchatka, Yuzhno-Sakhalinsk, Khabarovsk and Vladivostok.

DECEMBER

A new loan product was introduced with targeted funding from the Bank of Russia: **'SME – Stability'**. The product was designed to support SMEs in the Kaliningrad Oblast which had blocked funds in JSCB Investbank accounts, as a result of the bank's licence being recalled.

SME BANK AWARDS



**SME
BANK**

VNESHECONOMBANK
GROUP

THE NATIONAL BANKING PRIZE IN THE CATEGORY 'FOR ADVERTISING, MARKETING AND PR CREATIVITY'. THE PRIZE WAS AWARDED TO THE BANK FOR DEVELOPING AND COMPLETING HANDOUT MATERIALS FOR THE BANK'S EDUCATIONAL PROGRAMME BY THE ASSOCIATION OF RUSSIAN BANKS.

The National Banking Awards were founded in 2005 by the Association of Russian Banks and *National Banking* Magazine, to determine the best lending organisations, the services of which are aimed at reinforcing Russians' confidence in both individual banks and the domestic banking system as a whole. The selected awards committee has developed a comprehensive range of criteria to assess the performance of lending organisations, to objectively determine the nominees. An expert panel and jury, consisting of independent experts from a number of recognised authorities in the Russian financial market, determine the award winners.

The award has the form of a statue of a winged lion, the inspiration for which was taken from the sculptures of the griffins - the treasure guardians – which adorn the famous Bank Bridge in Saint Petersburg.

AWARD 'VNESHECONOMBANK'S EDUCATIONAL PROGRAMMES – 2013' IN THE CATEGORY 'BEST EDUCATIONAL INITIATIVE OF A VNESHECONOMBANK SUBSIDIARY COMPANY, 2013', VNESHECONOMBANK



#1

BUSINESS PROFILE

SME BANK: PRODUCTS

1 PARTNER BANKS

Financing for Innovation and Modernisation – Targeted Financing for Innovation and Modernisation – Targeted for partner banks with high rating	Financing for innovative, modernising and energy-efficient transactions
SME – Maneuver	Financing for modernisation projects
SME – Idea	Financing for SMEs working on innovation projects
SME Baltika, SME Baltika Plus, SME Baltika Innovations	The financing of innovative, modernising or energy-efficient projects in the Baltic region.
Refinancing of the non-trade sector	Financing of non-trade SMEs in line with established regional quotas.
SME – Stimulus	Non-trade sector lending in cooperation with partner banks' own funds ($\geq 50\%$ of the loan total) within regional limits
SME – Stimulus Plus	Non-trade sector lending in cooperation with partner banks' own funds ($\geq 100\%$ of the loan total) within regional limits
SME – Regional Growth	Financing for single-industry cities, areas that have been affected by a natural disaster/emergency and in RF regions as per the established list.
Factoring - Bank (Non-trade factoring - Bank)	Financing under the assignment or transfer of rights (claims) through the banks
Micro-financing organisation – Bank (SME Microcredit)	Provision of microloans up to RUB 3 million to SMEs across a wide range of industries and for a wide range of purposes.
SME – Stability	Financing for SMEs in the Kaliningrad Region with account balances in a bank that had its licence recalled, for urgent needs.
Medium-sized enterprise guarantee	Guarantee support for medium-sized enterprises in order to implement their investment projects.

2 SME INFRASTRUCTURE SUPPORT ORGANISATIONS

FACTORING	
Factoring – Company	Financing under the assignment or transfer of rights (claims) through the use of factoring companies
MICRO-FINANCING ORGANISATIONS AND REGIONAL FOUNDATIONS	
SME Microloan (Tier-1 Microloan) Microloan SME Plus (Tier-1 Microloan Plus)	Provision of microloans to SMEs
Regional foundation	Provision of microloans to SMEs through regional foundations
Tier-2 Loan Cooperative (Tier-2 Microloan for SMEs)	Tier-1 Loan Cooperative financing to provide loans to SMEs
LEASING	
Leasing – SME regional potential	Provision of assistance in terms of business development to SMEs registered and operating in the regions listed, as well as in areas affected by a natural disaster/emergency and in RF single-company/industry towns, through property support via the leasing tool
Leasing – SME Start	Property support for first-time entrepreneurs to assist them in implementing their business processes in priority sectors of the economy, using targeted subsidies provided from RF budgetary funds
Financing for Innovation and Modernisation – Targeted	Property support for innovative, modernising and energy-efficient transactions
Leasing – SME Progress	Property support for innovative, modernising and energy-efficient projects (SME Bank approval for each project)
SME Leasing – to Industry	Non-trade SME property support when the business acquires equipment and/or special-purpose machinery for non-trade purposes, through the leasing tool

NEW PRODUCTS

In 2013, SME Bank launched two new loan products in cooperation with the bank Kreditanstalt für Wiederaufbau*. These products were designed to support the innovation and modernisation projects of SMEs in 5 constituent entities of the Russian Federation, in the **Baltic Region**: the Kaliningrad Region, the Leningrad Region, the Novgorod Region, the Pskov Region and the city of Saint Petersburg. Under this proposal, the partner banks receive the funds from SME Bank in US dollars. They can then provide loans to SMEs in both US dollars and roubles.

SME – BALTIKA PLUS

This product involves the use of a project-based approach. The amount of financing available to SMEs is from 60 to 150 million roubles, or the equivalent in US dollars.

SME BALTIKA – INNOVATIONS

This product restricts the loan share provided by partner banks for SME's innovative projects, and at least 50% of the loan amount is provided by SME Bank. Partner banks are provided with an opportunity to lend for SME's transactions equal to RUB 60 million (or the equivalent in US dollars) and in amount from 60 to 150 million roubles (or the comparable equivalent in US dollars).

SME – STABILITY

A critical situation in terms of SME lending developed in the Kaliningrad Region, following the removal of JSCB Investbank's banking licence on 13 December 2013. A specialised product with targeted funding from the Bank of Russia, SME – Stability, was developed as part of an emergency package of anti-crisis measures in a very short time. The product provides for the allocation of loans to SMEs registered in the Kaliningrad Region, which had funds blocked in JSCB Investbank accounts. SMEs can be offered loans through partner banks in amounts equal to, but not above, the balance amount remaining in the JSCB Investbank accounts, for a term of up to 1 year, to replenish working capital, pay salaries and taxes and complete loan payments to other banks. The interest rate on the loans to SMEs should not exceed 7% per annum.

GUARANTEE FOR MEDIUM-SIZED ENTERPRISES**

SME Bank has developed a comprehensive regulatory framework and launched a special new product – **the Guarantee for Medium-Sized Enterprises** – to develop a new business area, a guarantee mechanism to support the innovative projects of medium-sized enterprises.

SME Bank was able to provide more than just financial support. As of 2013, medium-sized enterprises can be awarded a bank guarantee against their partner bank liabilities (up to 50% of the loan amount) on the loan provided for their investment project.

The term of the guarantee issued by SME Bank is from 2 up to 10 years in amounts up to RUB 1 billion. The share of capital investments under the investment project should be at least 70% of the project cost. SME Bank's commission on the bank guarantee ranges between 1.5% to 1.8% per annum (depending on the risk class of the medium-sized enterprises and the risk category of the enterprise's project).

* KfW – the German State Development Bank. The Federal Government of Germany owns 80% of the shares in the bank and the federal states of Germany own 20%. The support of small enterprises is one of the bank's strategic business areas.

** SME Bank was appointed as the operator of the state guarantee support mechanism to medium-sized enterprises, on the basis of the Government of the Russian Federation Decree № 1451, dated 28 December 2012.

BOBROVSKIY CHEESE FACTORY

WHEY POWDER PRODUCTION

PROJECT OVERVIEW

The Company plans to increase its productive capacity and arrange the production of whey powder. The cost of the project, including the construction of a finished product store and expansion of drying and aging facilities, will total RUB 27 mln. building of the finished product store, expanding of drying and ageing facility. The launch of whey powder production will necessitate the acquisition of a processing line, chilling machinery, mounting works and reconstruction of the boiler room, at a cost of RUB 161.8 million.

PROJECT GOAL

Revenue growth as a result of increased production in semi-hard rennet cheeses and the introduction of a new whey powder line.

PROJECT TASKS

- Revenue for 2015 totalling no less than RUB 1,000,000 thousand;
- Cheese and whey powder production capacity for 2015 no less than 6,000 tonnes.

EXPECTATIONS

The introduction of new state-of-the-art equipment for whey powder production would allow of nonwaste full milk processing technology. Modernisation would eliminate the need for waste disposal into the environment, as well as increasing the efficiency of the enterprise. Investments in development of the production line would allow the creation of 22 new vacancies and increase the potential of the developing milk processing industry in Voronezh Region.



BOBROVSKIY CHEESE FACTORY LLC

PROJECT OVERVIEW

Bobrovskiy specialises in the production of semi-hard rennet cheeses under brands such as Larets, Zolotoy Larets, Flaman, Gollandskiy Shar, Bobrovskiy Slivochny and Legkiy.

Production and selling encompasses 148 people.

The Bobrovskiy cheese factory was founded in 1989 in the Troyna village of the Bobrovskiy district of the Voronezh Region. The area is ecologically pristine, and the factory is situated within the territory of Bobrovskiy nature reserve. In the early 1990s, the enterprise was privatised, and in 2005 a major modernisation of the production line was undertaken and a modern milk processing line was put into operation.

In 2008 a complex gas supply was introduced, along with updated chilling machinery. In 2011, the milk receiving terminal was reconstructed, and a new automated cheese pressing line. The salting facility was expanded, and new chillers were installed.

Industry	Milk processing industry
Region	Voronezh Region, Bobrovskiy district
Supporting partner	JSC TRANSCAPITALBANK
Support type	Production loan SME-Manoeuvre RUB 150 mln
Term/rate	7 years/9.4%



LESTRANS

CONSTRUCTION OF FACTORY FOR THE PRODUCTION OF ENVIRONMENTALLY FRIENDLY SOLID FUEL (PELLETS)

PROJECT OVERVIEW

In the town of Semyonov, in Nizhny Novgorod Region, Lestrans plans to produce environmentally friendly fuel from the pulp left over from wood processing. The waste materials from the company's existing manufacturing processes will become the raw materials for this new venture. This waste consists primarily of bark and the remains of forest wood, branches, culls, unusable wood, crooked trunks, splinter, scrap, wood powder and grinding dust. It was previously sent to landfill or burned. The new production line is capable of creating fuel pellets 6-8 mm in diameter. Unlike regular firewood or fuel briquettes, pellet-generated fires do not require constant supervision. The looseness of the pellets facilitates an optimal fuel supply cycle, thereby saving fuel and reducing wear and tear on the operating unit.

PROJECT GOAL

Creation of non-waste technological cycle based on existing manufacture and diversification of the company's product line.

PROJECT TASKS

- Acquisition of a 3 ha plot for firewood storage and splinter production area, acquisition of premises for equipment placement, acquisition of pellet production line, delivery, assembling and commissioning works on the production line, acquisition of reserve master forms.
- Compared to the company's 2012 results, revenue from Lestrans LLC activity should increase by 50 per cent by 2016.

EXPECTATIONS

The project is aimed at production assortment diversification and revenue increase.

The use of environmentally friendly raw materials that were previously considered to be waste will have a positive impact on the local environment and decrease the fire hazard in timber harvesting areas and wood processing plants.

Pellets are the only option in areas where mains gas pipeline connections are impractical or too costly. Lestrans' production will provide fuel to populated areas without pipelines.

53 new jobs will be created as a result of this venture.



LESTRANS LLC

Lestrans LLC is mainly engaged in timber harvesting and sales to both companies and individuals.

Lestrans LLC provides its clients with high-quality product. Wood harvesting is carried out using state-of-the-art high-capacity equipment. The Company uses four LOGSET 8H feller units and four LOGSET 6F pick-up units that guarantee adherence to all technological procedures and allows strict control over production quality. Lestrans LLC is the largest timber harvesting enterprise in the region, occupying 60 per cent of the market. Its production capacity allows it to maintain competitive prices for forest products.

Prior to the implementation of this project, 169 people were employed by the company.

PROJECT OVERVIEW

Industry	Timber harvesting
Region	Nizhny Novgorod Oblast
Supporting partner	JSC CB Association
Support amount	Credit under SME-Manoeuvre product – RUB 135.92 mln, banking guarantee – RUB 67.96 mln.
Term/rate	5 years / 10.9 per cent Banking guarantee is provided for the term of 5 years + 120 days, guarantee provision commission is 1.5 per cent per annum.

INDIVIDUAL ENTREPRENEUR V.Z. VODVUD

RECYCLING OF USED TYRES INTO RUBBER CRUMB

PROJECT OVERVIEW

V.Z. Vodvud plans to build an ATR 500 production line to recycle used tyres with an external diameter of up to 1200 mm into rubber crumb in 3.5 mm, 1-3 mm and 0.1-1 mm sizes.

The equipment will be installed and put into operation in Prokopyevsk, with production aimed at the local resources base - motor transport enterprises that provide services in Prokopyevsk and deliver services throughout Russia. Raw materials will also be delivered from Novosibirsk Region. The location of the production base will allow for optimal logistics for customer delivery in Kemerovo, Volgograd, Moscow and Omsk Region. The planned delivery volume, based on contracts already signed, totals 300 tonnes.

PROJECT GOAL

Diversify production by developing new areas of industrial expertise for the company, with a special focus on recycling car tyres.

PROJECT TASKS

- Acquire production lines for recycling used tyres with an external diameter of up to 1200 mm into rubber crumb using the ATR-500.
- Arrange recycling with minimal energy consumption.
- Ensure environmental safety of the production process during mechanical granulation of the tyres.
- Arrange wholesale distribution of rubber crumb to tyre plants and road paving production facilities.

EXPECTATIONS

Form an alternative resource base for petrochemical enterprises that use rubber crumb as a sorbent and substitute for natural rubber. Reduce the production cost of the petrochemical enterprises' end product. Reduce the production cost and extend the operating life of road pavement by adding rubber crumb to bitumen-concrete mixes.



V.Z. VODVUD

PROJECT OVERVIEW

Entrepreneur V.Z. Vodvud has been carrying out the servicing, technical repair and towing of cars since 2009. His customers are mainly private individuals, with vehicle towing orders received through the Novokuznetsk Traffic Police. Mr Vodvud is now diversifying his business by expanding it in new and promising directions - one of which is the reprocessing of tyres into rubber crumb, for which a loan was requested from JSC ATB.

Under the terms of a contract signed with the Rosgosstrakh LLC branch office in Kemerovo Region, the repair of damaged third-party vehicles will be carried out under the owners' optional or compulsory civil liability insurance.

Industry	Vehicle maintenance, industrial waste recycling
Region	Kemerovo Region, Novokuznetsk
Supporting partner	Asian-Pacific Bank (JSC ATB)
Amount of support	Credit FIM – Targeted RUB 8.5 mln
Term/rate	4.5 years/12.5%

INVESTMENT ACTIVITY

RAISING FUNDS

In 2013, the Bank fully implemented its plans to float its public debt on the domestic market. In August and November 2013, 4 tranches of SME Bank domestic bonds were successfully floated with a nominal value of RUB 15 billion.

The maximum term attained for such borrowing in the history of the Bank's initial public offerings (IPOs) is three years. According to the closing book building results, the rate of return from the first offering proved to be lower than the current shape of the yield curve for the bank's liabilities. The number of applications from investors was twice as high as the number of shares being offered. The list of participants covered various categories of investors: non-state pension funds, commercial banks, insurance companies, investment funds, foreign investors and private Russian companies. SME Bank's newly issued debt securities were included in the Bank of Russia's Lombard List and they were also awarded a high rating from the international rating agency Moody's – 'Baa2'.

The Bank actively secured long-term funding from international institutions, including development institutions, such as the German State Development Bank KfW, to diversify the sources of financing for the Bank's core business. The total amount of funds secured from international financial institutions in 2013 reached approximately RUB 10 billion.

The amount encashed in the promissary note programme totalled RUB 1.4 billion.

In 2013, SC Vnesheconombank contributed RUB 542 million to SME Bank's charter capital.

In 2013, the Bank continued its cooperation with the Bank of Russia under a Loan Facility Agreement, secured by sureties from lending organisations, as well as the assignment of receivables with regard to interbank loans agreements, as part of the financial support programme for SMEs. The total loans amount secured from the Bank of Russia amounted to RUB 29.3 billion.

In 2013 SC Vnesheconombank contributed RUB

542 mln
to SME Bank's charter capital.

The amount encashed in the promissary note programme equalled RUB

1.4 billion

INVESTMENT OF FUNDS

When operating in the securities market, the Bank highly concentrated on issuers from the banking sector and the share of financial institutions in the portfolio stands at 88 %. The share of corporate debt securities did not exceed 12 %. In 2013, the average weighted securities portfolio totalled RUB 10.6 billion.

The growth of loans and deposits transactions on the interbank market reached 62% against the figure for 2012. The transactions were carried out both under pure credit lines and against securities (promissary notes, bonds). Currency-exchange transactions experienced a threefold increase.

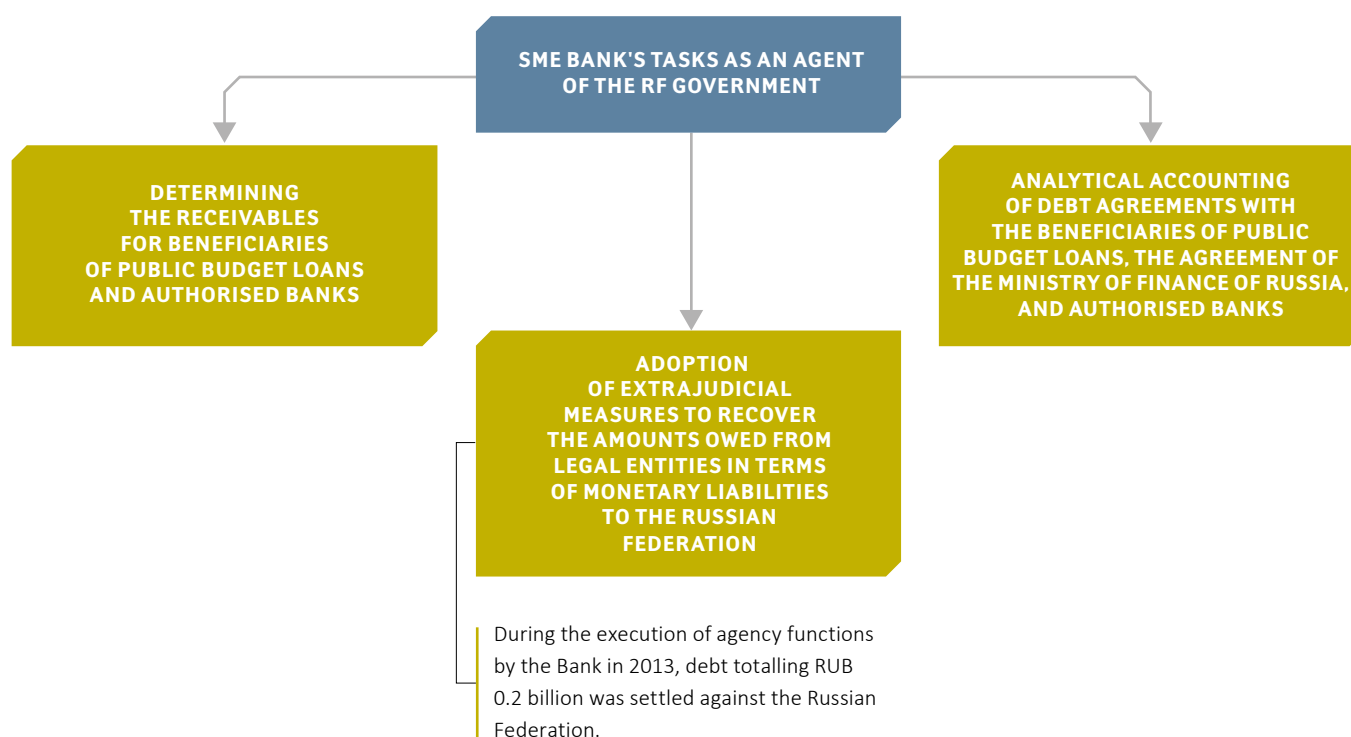
The Bank also participated as co-organiser and creditor in public transactions organised for Russian financial institutions. The amount from the Bank's participation in this reporting year amounted to RUB 520 million.

In 2013, the average weighted securities portfolio equalled RUB

10.6 billion

REPAYMENT OF BUDGETARY ARREARS FROM LEGAL ENTITIES AND RF CONSTITUENT ENTITIES

In 2013, SME Bank continued to carry out its functions as an agent of the Government of the Russian Federation regarding debt repayment from legal entities and constituent entities of the Russian Federation on monetary liabilities to the Russian Federation, under Federal Law 'On the Federal Budget for 2013 and the Planning Period for 2014 and 2015' and the Decree of the Government of the Russian Federation, 'On Implementation Measures for the Federal Law 'On the Federal Budget for 2013 and the Planning Period for 2014 and 2015'.



Since 01.01.2014, SME Bank has been conducting the analytical accounting of the amounts owed to the federal budget, on 1,158 agreements with the final beneficiaries of public budget loans and on 68 Ministry of Finance of Russia agreements with authorised banks, to the amount of RUB 11.2 billion.

In 2013, the Bank received a recompense amount equal to RUB 8 million, for the execution of its functions as an agent of the Government of the Russian Federation.

Over the period 2001–2013, debt totalling over RUB

7.7 billion against the Russian Federation was settled with SME Bank's assistance.

SME LEASING: BUSINESS PROFILE

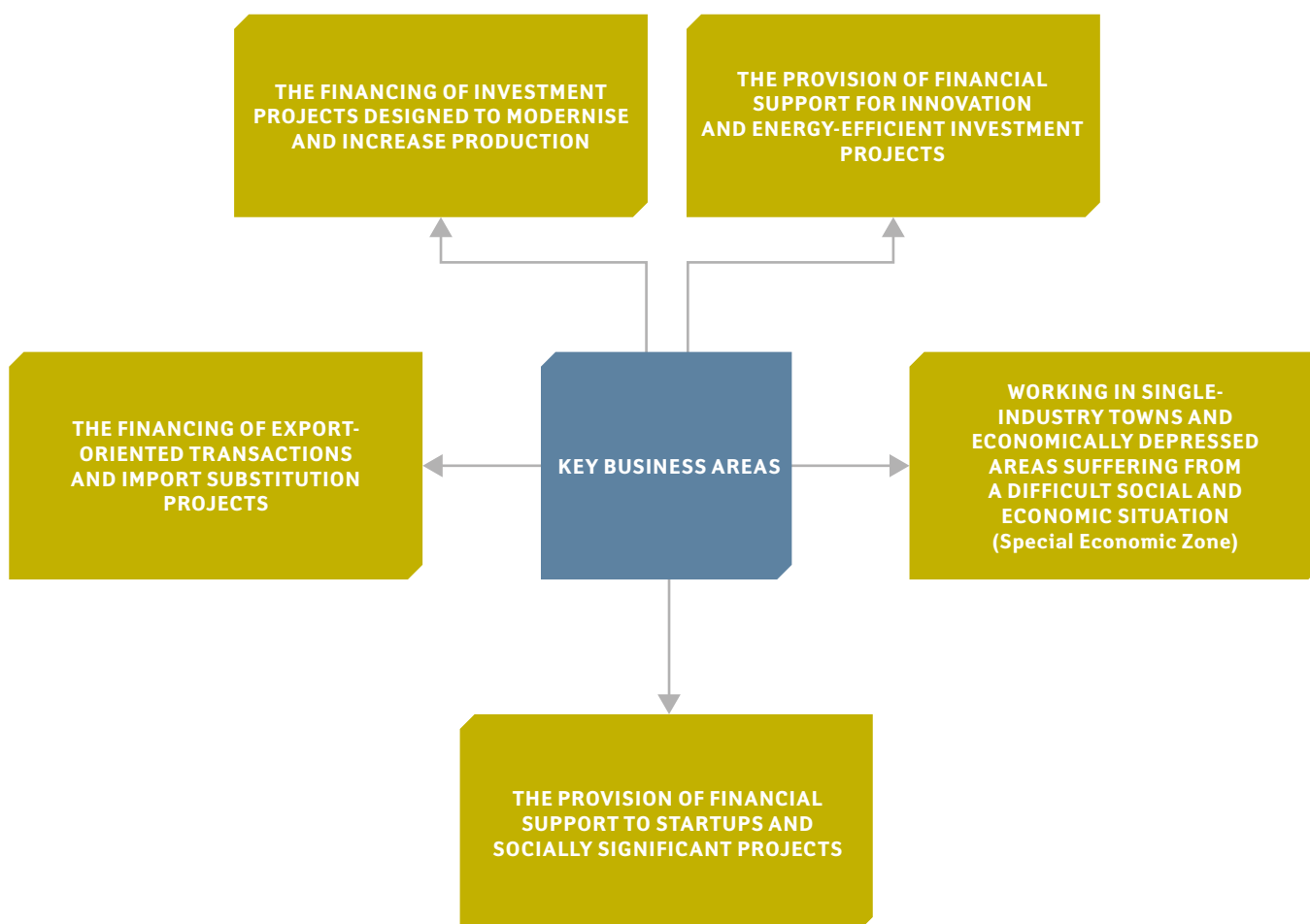
SME LEASING IS A SUBSIDIARY LEASING COMPANY OF SME BANK, PROVIDING LEASING SERVICES TO SMALL AND MEDIUM-SIZED ENTERPRISES (SME) IN NON-TRADE SECTORS.

The company operates throughout the Russian Federation, by leasing mainly production and technical processing equipment and hardware. SME Leasing provides the financing for the procurement of the latest state-of-the-art Russian and internationally-manufactured equipment.

Support is granted to investment projects that, due to heightened technological, industry-specific or regional risks, fail to receive funding from other leasing companies and banks, and also investment projects in those regions where other state and private leasing companies are simply not available. The procedure for risk assessment of SME Leasing's investment projects is coordinated by the relevant SME Bank departments.

SME Leasing is participating in the State financial support programme for small and medium-sized enterprises, currently being implemented by SME Bank, and secures loan funds from SME Bank to finance leasing transactions under the standard terms and conditions that apply to all leasing companies. The company finances SME investment projects under leasing programmes developed on the basis of SME Bank's existing products. As a result of tried and tested principles of cooperation with regional support institutions, the company is adapting the current leasing programmes and tailoring them to the specific industry priorities of the regional SMEs.

The company has seen through various leasing innovation and modernisation projects in terms of size for SMEs across Russia. By 2013 year-end, the amount from leasing contracts agreed had reached RUB 7.98 billion.



SME LEASING INDUSTRY SECTOR PERFORMANCE FIGURES AND RATINGS

14TH amongst Russian leasing companies in terms of new transactions with small enterprises;

1ST in the woodworking and processing equipment segment with regard to the value of new agreements;

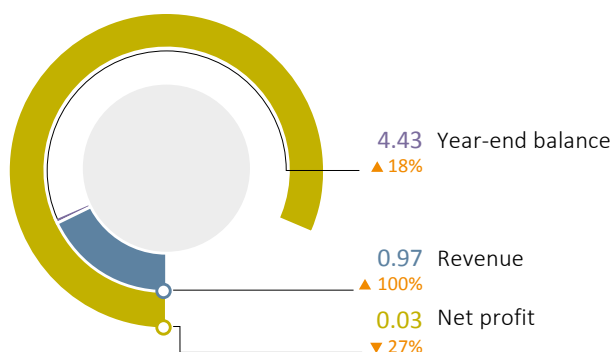
6TH in the food-processing equipment segment with regard to the value of new agreements;

THE LEADER in terms of the number of industrial leasing transactions agreed in the Northern Caucasus Federal District;

'A+' – a very high credit rating from the ratings agency Expert RA;

'BBB' – acceptable credit rating on the international scale.

FINANCIAL RESULTS, RUB billion



SME LEASING IS AN INVESTMENT LABORATORY AND METHODOLOGICAL TESTING PLATFORM FOR SME BANK, COMPLEMENTING THE FUNCTIONS OF A DEVELOPMENT INSTITUTE EXECUTED BY THEM IN A NUMBER OF AREAS

The testing and introduction of new products and special programmes for specific regions, including single-industry cities and the Northern Caucasus republics.

The implementation of pilot leasing transactions under SME Bank's new loan products, designed for leasing companies.

Assistance in sourcing and selecting medium-sized enterprises projects using SME Bank's guarantee mechanism.

The provision of methodological support for the project 'Regional leasing companies as a future channel for SMEs support in the regions of the Russian Federation' (staff training, assistance in establishing business processes, the provision of standard forms and regulations, business consultancy).

The establishment of a support infrastructure for SMEs across Russia, through cooperation with regional administrations and regional institutes to promote entrepreneurship (guarantee funds, support centres for SMEs, development corporations and the regional representative offices of the RF Chamber of Commerce and Industry).

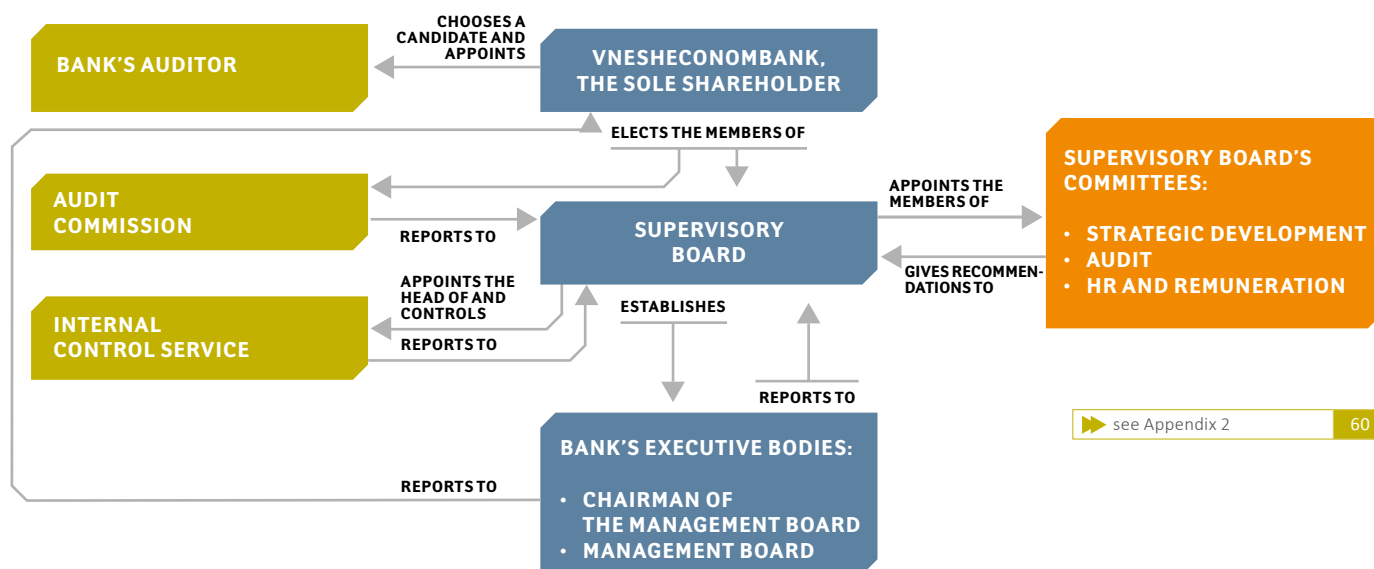


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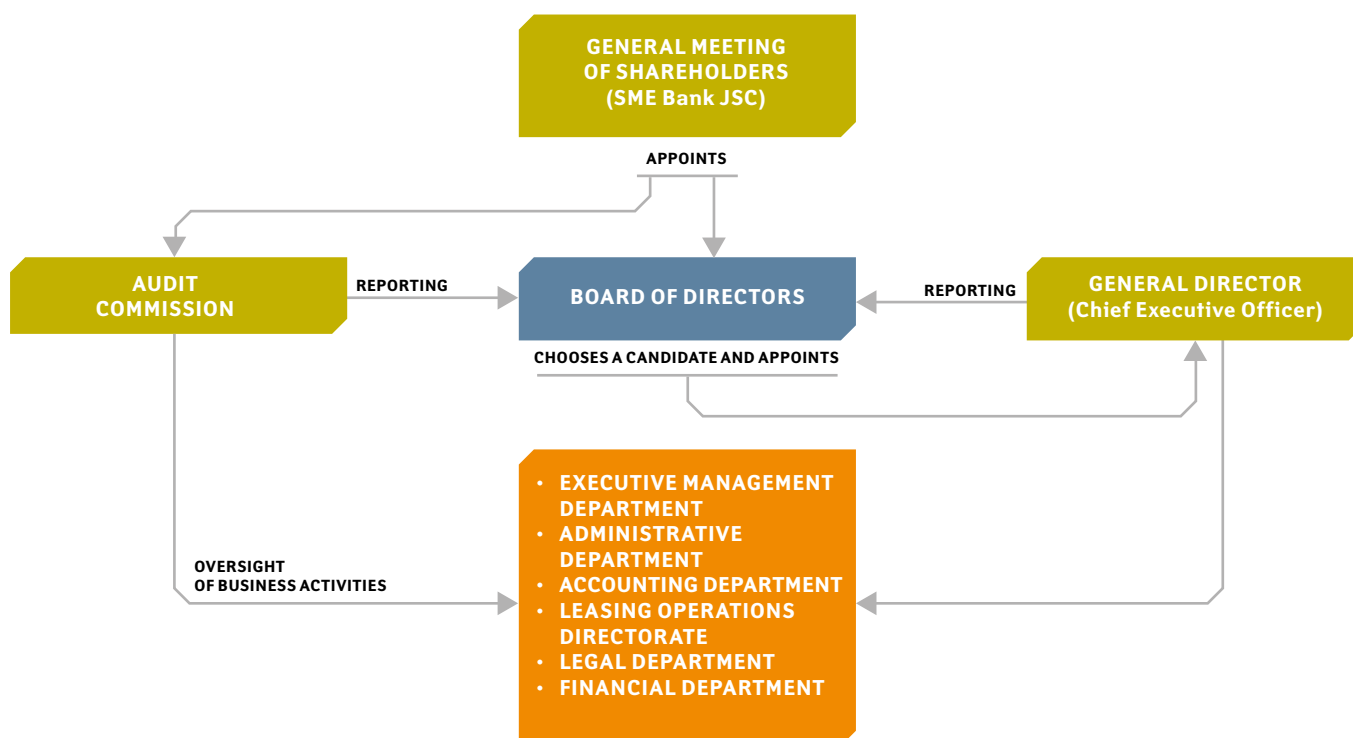
MANAGEMENT

CORPORATE GOVERNANCE

SME BANK GOVERNANCE STRUCTURE



SME LEASING CORPORATE GOVERNANCE STRUCTURE



MANAGEMENT
SME BANK

SERGEY KRJUKOV

CHAIRMAN
OF THE MANAGEMENT BOARD

DMITRY GOLOVANOV

FIRST DEPUTY CHAIRMAN
OF THE MANAGEMENT BOARD

OLESYA TEPLOUKHOVA

DEPUTY CHAIRMAN
OF THE MANAGEMENT BOARD



SME BANK'S SUPERVISORY BOARD

POSITION IN SUPERVISORY BOARD	FULL NAME OF THE CANDIDATE	CURRENT POSITION
Supervisory Board Chairman	Mikhail Kopeikin	Deputy Chairman at Vnesheconombank
Supervisory Board members	Artem Avetisyan	Director, New Business division at Agency for Strategic Initiatives
	Aleksandr Brechalov	President, Opora Rossii, Russian Public Organisation of Small and Medium-Sized Enterprises
	Sergey Katyrin	President, Chamber of Commerce and Industry of the Russian Federation
	Sergey Krjukov	Chairman of the Board of SME Bank
	Natalia Larionova	Director, Department of Small and Medium Business and Competition, Ministry of Economic Development of the Russian Federation
	Vladimir Minin	Director, Department of Affiliated Banks, Vnesheconombank
	Oleg Teplov	Head, Department for the Development of Economic Sectors, Expert Board at the Presidential Executive Office
	Aleksey Eskindarov	Director, SME Support Department, Vnesheconombank

COMMITTEES AT THE SUPERVISORY BOARD OF SME BANK

STRATEGIC DEVELOPMENT COMMITTEE	HR AND REMUNERATION COMMITTEE	AUDIT COMMITTEE
CHAIRMAN		
Oleg Teplov, Head, Department for the Development of Economic Sectors, Expert Board at the Presidential Executive Office	Aleksey Eskindarov, Director, SME Support Department, Vnesheconombank	Artem Avetisyan, Director, New Business division at Agency for Strategic Initiatives
GOALS		
Provision of assistance and preparation of recommendations to the Supervisory Board of the Bank with regard to decision-making on Bank's priorities	Provision of assistance and preparation of recommendations to the Supervisory Board of the Bank in addressing HR-related issues and formulating remuneration policies for Board members, Board Chairman Deputies and heads of Bank's subsidiaries	Preparation of recommendations to the Supervisory Board of the Bank in choosing auditors for analysis of Bank's business activities and SME support projects the Bank is implementing
NUMBER OF MEETINGS		
6	4	2
<ul style="list-style-type: none"> Consideration of a draft of the SME Bank's 2013-2015 Strategy prepared by an Ernst & Young Evaluation and Advisory Services consultant Consideration of an Implementation Plan for the SME Bank's 2013-2015 Strategy Consideration of a draft of a by-law of Russian Bank for Small and Medium Enterprises Support regarding the provision of support to small and medium enterprises with guarantees Approval of the business plan and budget of SME Bank for 2014, description of methods for determination and use of a KPI called Volume of Funds Brought to SME, SME Bank's plan of sponsorships and charity initiatives for 2014 	<ul style="list-style-type: none"> Recommendations to the Supervisory Board of SME Bank regarding annual bonuses to the Chairman and Board members for 2012 Proposals for individual KPIs for Board members in 2013 Revised version of the by-law on bonuses to SME Bank employees 	<ul style="list-style-type: none"> Consideration of candidates for Bank's auditors in 2013 and approval of the auditor's fee Consideration of a procedure for auditor selection through open tendering

SME LEASING



ALEKSEY AKINDINOV

GENERAL DIRECTOR



ANNA FEDOROVA

GENERAL DIRECTOR

SME LEASING BOARD OF DIRECTORS MEMBERS

FULL NAME OF THE CANDIDATE	CURRENT POSITION
Alexey Akindinov	SME Leasing Director-General
Olga Makaeva	Deputy Director, Department of Long-Term Support, Front Office Directorate, SME Bank
Igor Malinkin	Head, Department for Legal Support of Banking Operations, Legal Department, SME Bank
Natalia Moshkina	Director, Credits Department, SME Bank
Petr Tarasov	Deputy Chairman of the Management Board, SME Bank

PREVENTION OF CONFLICT OF INTEREST

The Policy on Prevention, Management and Resolution of Conflicts of Interest of SME Bank (hereinafter – the Policy) has been developed following the Central Bank of Russia's recommendations.

The following major types of conflicts of interest may occur in the course of the Bank activity:

- A conflict of interest between a shareholder and the Bank executive bodies
- A conflict of interest between the Bank's executive bodies, employees and clients

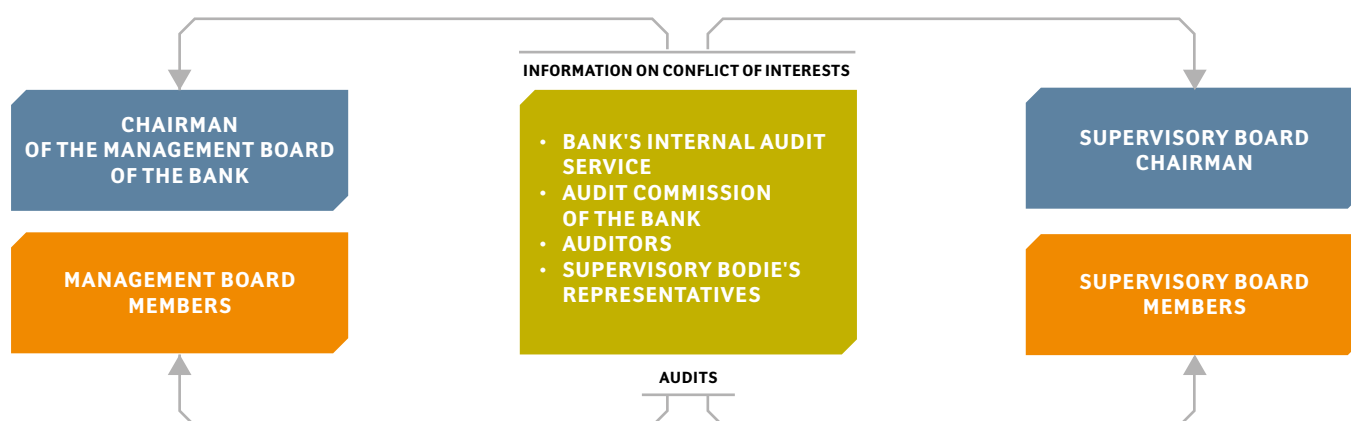
The Bank's management and employees shall undertake all legally available measures to settle a conflict of interest out of court, protecting the legitimate interests of the Bank, its clients and shareholders.

Information about conflict of interest settlement measures shall be communicated by the Bank to all parties to the conflict.

In order to prevent a conflict of interest, the Bank's executive bodies and employees shall:

- Comply with the applicable laws of the Russian Federation, regulations issued by the executive bodies of the Russian Federation, constituent documents and by-laws
- Abide by business and professional ethics
- Comply with the existing restrictions on deals with related persons and bargains
- Recruit an independent appraiser to determine the market value of assets
- Avoid decisions that may affect the value of Bank's assets negatively and/or cause loss
- Ensure the protection of business, trade and banking secrets as well as the confidentiality of personal data
- Take other measures set out in the Policy

CONFLICT OF INTEREST NOTIFICATION SYSTEM



COMPLIANCE WITH THE CORPORATE CODE OF CONDUCT RECOMMENDATIONS*

In 2013, the Supervisory Board of SME Bank adopted the Code of Corporate Governance of SME Bank drawn up in accordance with international corporate governance guidelines, the Articles of Association and by-laws of the Bank. The document is fully compliant with the applicable corporate and bank laws, including:

- Corporate Code of Conduct provisions recommended by the Federal Commission on the Securities Market in its decree No. 421/r of 4 April 2002
- Federal Commission on the Securities Market's decree No. 421/r of 4 April 2002 On Recommendations on the Adoption of a Corporate Code of Conduct
- Recommendations of the Basel Committee on Banking Supervision and other regulatory bodies in the banking sector
- Recommendations outlined in Central Bank of Russia's letter No. 119-T of 13 September 2005 On Current Corporate Governance Practices in Lending Institutions

- Recommendations outlined in Central Bank of Russia's letter No. 14-T of 6 February 2012 On the Recommendations of the Basel Committee on Banking Supervision "Principles for Enhancing Corporate Governance"

In 2013, the Supervisory Board conducted an assessment of the Bank's corporate governance practices in accordance with the Central Bank of Russia's recommendations (No. 11-T of 1 February 2007). The assessment was supervised by Sergey Katyrin, a member of the Supervisory Board, President of the Chamber of Commerce and Industry of the Russian Federation.

IT DEVELOPMENT

In 2013, SME Bank continued to implement the following projects, with the aim of improving the quality of IT services, upgrading the management system and increasing the performance and transparency of its divisions:

- A software module for a shared base of reference data was developed. The system makes it possible to enter an extended range of information about the Bank's clients and replicate it to all of the Bank's accounting and intelligence systems. The system is expected to be put into operation in 2014.
- The project connecting SME Bank to Vnesheconombank's corporate SWIFT system was completed, allowing the Bank to save the money it had spent to maintain its own SWIFT software.
- The module of the Single E-Document Monitoring Window system was put into commercial operation. It allows one to send digitally signed e-documents to the Interregional Informatisation Centre of the Central Bank of Russia.
- The CFT – Budget Planning and CFT – Managerial Accounting systems were put into commercial operation. The systems are integrated with all the necessary intelligence and accounting systems of the Bank via a shared data storage.

In 2013, the following information systems were launched to automate business processes: electronic storage of Bank documents; 21st century fund system that automates securities market operations, securities, bills of exchange and other modules were put into operation.

In 2013, SME Online, an Internet banking system, was further upgraded and enhanced.

The fault tolerance of the hardware and software that ensures the functioning of the Bank's website was improved through clustering.

SME Bank's IT infrastructure upgrade strategy incorporated some steps that are intended to ensure the continuity of Bank's operations in case of emergency. In order to ensure prompt detection of failures in the Bank's IT infrastructure, a special hardware and software suite was put into commercial operation. It is based on Microsoft System Centre and Operational Manager (SCOM). Virtualisation technologies were introduced to optimise the data centre's performance and improve the stability and robustness of the payment processing system.

* Approved by decree of the Federal Commission on the Securities Market of April 04, 2002 No. 421/r.

INFORMATION SECURITY

The protection of information assets, personal data, trade and banking secrets is among SME Bank's priorities.

In 2013, SME Bank continued to improve its information protection system to ensure compliance with the Central Bank of Russia's requirements and standards. A system of employee training on information security was introduced alongside a software and hardware suite for information security event monitoring and management.

In June 2013, an upgrade project was completed, after which independent auditors confirmed that SME Bank's information security system was compliant with the fourth level of development recommended by the Central Bank of Russia.

At the moment, the information security system of SME Bank is a balanced combination of organisational and technical protection measures, including:

- A base of by-laws, policies and procedures
- A system of employee training on information security
- A system for the detection and prevention of confidential information leaks
- A software and hardware suite for information security event monitoring and management
- A system for the detection of vulnerabilities in LAN nodes and components, databases and applications
- A system for the protection of mobile devices
- Information encryption software.

The Bank takes regular steps to analyse and evaluate information security risks, including inventorying and classifying its information assets, detecting and eliminating vulnerabilities, and creating models of intruders and information security threats.

SIGNIFICANT CHANGES IN BANK'S OPERATIONS

In 2013, the Bank did not experience any significant changes or events that might have had a negative impact on its financial stability or policy (strategy).

STAKEHOLDER ENGAGEMENT

INTERNET

The SME Bank Support Programme includes a website full of useful information. The site has a hotline for small enterprise support and hosts news and updates, detailed information about the Bank's credit products; information about completed projects and contact details for our partners. More than a million people visited the website last year.

The Bank has a presence on all major social media, including Facebook, Twitter and LiveJournal.

In order to make it easier for Programme participants to get information, the "Programme Summary. Interactive Map" module was updated. The new module received very positive feedback from SME employees, Programme partners and public organisations.

In addition, a special interactive service called Project Exchange was launched; it gives small and medium enterprises an opportunity to present their projects to a broad audience of banking community members. The Exchange is a kind of space where the profiles of SME projects that need support through funding or guarantees are posted. Only projects that align with SME Bank's strategic priorities, such as innovations, production modernization or energy efficiency improvement, are published. If interested, a partner bank can contact the representative of the entity that has posted the offer and discuss the details of possible collaboration.

MEDIA

The Bank's news, interviews with top managers and key employees, and Analytical Centre's results of Analytical Center's studies are published in the mass media on a regular basis.

SME Bank's media index (Medialogia) grew by 164% in 2013. The growth was due to a greater number of interviews and comments from Bank's top managers and analysts in leading media and news feeds.

More than 160 press releases covering the Bank's activities were written and published over the year; many of them appeared in the by

country's leading news portals, such as PRIME (RIA Novosti), Interfax, RBC, Business-TASS, Cbonds and Banki.ru.

The number of publications in which Bank activities were mentioned grew by 23%.

The efforts aimed at positioning the Bank's Analytical Centre as a key base of competence in the SME segment were continued. In 2013, the Analytical Centre's employees published more than 700 comments and materials.

ANALYTICAL CENTRE

As a development-focused entity, the Bank conducts a lot of research and publishes the results on its website* so that everyone can access them. The Bank provides its partners in Russia, public organisations, members of the Expert Board at the Russia Association and partners abroad (OECD, OSEO, Small Medium Enterprise Bank Berhad (Malaysia), etc.) with information on a regular basis.

In order to ensure the high quality of services, the Bank created an Analytical Centre, a special-purpose division that accumulates information about the issues that small and medium enterprises in Russian and abroad face and monitors their development using both its own statistics and those available from partners. Through its broad network of contacts in research communities, the Bank exchanges analytical information with RA Expert, a rating agency, the National Agency of Financial Research, Opora Rossii, the Association of Russian

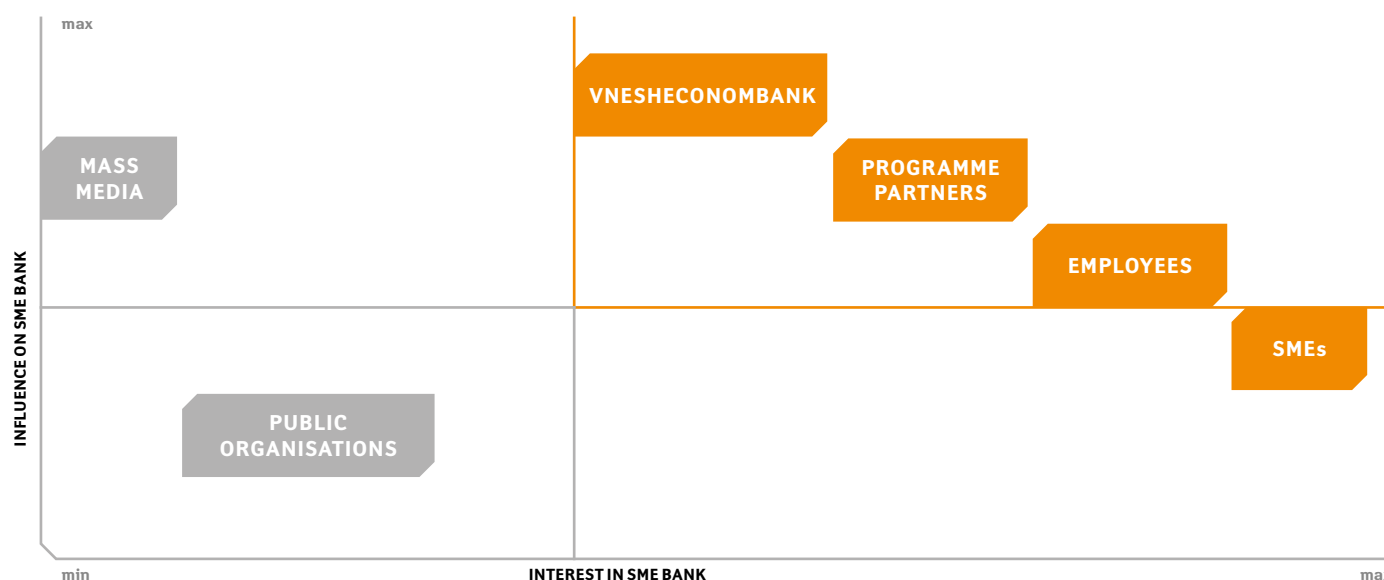
Banks, the Russia Association, the National Institute of Systemic Research on Entrepreneurship Problems, the Russian Microfinance Centre, the Higher School of Economics and the Association of Factoring Companies.

The Analytical Centre publishes **General Indicators of Banking Sector Development in the Russian Federation and Small and Medium Business Borrowing Statistics**, a periodic bulletin, and a variety of macroeconomic surveys. In 2013, over 30 studies were conducted to assess the environment for small and medium enterprises development. With the aim of refining SME Bank's mid-term strategy and positioning principles, an assessment of the capacity of the strategic niches was conducted in collaboration with leading financial industry experts.



* SME Bank Analytical Centre research:
www.mspb.ru/ru/analytical_center/

STAKEHOLDER MAPPING



Stakeholders' expectations and interests have a large impact on Bank managers' decisions. The chart shows the balance of the interests and expectations of SME Bank's key stakeholders. The table of stakeholders is based on the Analytical Centre's data on the situation in the SME credit market and priorities outlined in Vnesheconombank's strategy (SME Bank's key shareholder). Four categories of stakeholders are in the high priority area, including the shareholder (VEB), participants of SME Bank's Support Programme and SME Bank employees.

CONTROL OVER PARTNERS' ACTIONS AND CONSULTING SUPPORT

In 2013, SME Bank was working on the entire range of activities aimed at increasing the effectiveness of monitoring and control over partner banks and organisations compliance with the terms and conditions of the credit contracts they signed with the Bank within the Programme of Financial Support to Small and Medium Enterprises. Among other things, the Bank was expanding and enhancing its activities associated with on-site inspections. 64 partner banks and 37 organisations involved in SME support activities were inspected over the reporting year.

Alongside the on-site inspections, SME Bank's employees provided consulting services to partners, explaining to them in detail the terms and conditions of the Bank's existing credit products.

As part of its systematic efforts to eliminate non-compliance, the Bank organises and conducts seminars for partners both in Moscow and in the regions of Russia. In addition, the Bank's website has a special section where answers to partners' questions and relevant recommendations are posted.

On-site inspections were provided for
64 partner banks and
37 non-bank financial institutions
 involved in SME support activities



* SME Bank official website – www.msppbank.ru

ENGAGEMENT WITH PUBLIC ORGANISATIONS

SME Bank continued to expand its ties to public organisations representing the business community in Russia. The strategic partners of SME Bank include such organisations as Opora Rossii, Opora-Kredit, organisations Russia Association, the Association of Russian Banks, the Chamber of Commerce and Industry of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs, the Russian Microfinance Centre, and the Business Russia Association.

These ties help us to receive feedback on various aspects of the Programme and its implementation and address the key challenges that entrepreneurs have to deal with in Russia, including legislation-related issues.

SME Bank employees are in charge of a number of committees and workgroups responsible for SME-related issues in governmental and public bodies who have a direct impact on the development of entrepreneurship in Russia.

▶ see Appendix 3

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In 2013, the Financial University joined forces with SME Bank to hold a third International Forum of Young Financiers. More than a hundred business projects were presented by students and young entrepreneurs from Russian regions at the forum.

The Bank is interested in using the potential of Russia's young people to address the practical problems of entrepreneurship development. To that end, Financial University, with financial backing from the Bank, has been offering scholarships for three years. The Bank also supports an annual competition for arts graduates, known as "MA Magic: Bringing Science and Practice Together!"

The Managing Director of SME Leasing is in charge of the activities of the leasing subcommittee at the Chamber of Commerce and Industry of the Russian Federation, aimed at improving the regulation framework and financial infrastructure, including along the following lines:

- operation of a workgroup at the Ministry of Economic Development of the Russian Federation
- assessment of the effectiveness of tax benefits in the leasing industry
- judgment of the Presidium of the Supreme Arbitration Court of the Russian Federation on redemption leasing agreements
- revision of the leasing payment calculation guidelines

SME Bank Strategic Partners:

- Opora Rossii ("Backbone of Russia")
- Opora-Credit
- Russia Association
- Russian Banks Association
- Chamber of Commerce and Industry of the Russian Federation
- Russian Union of Industrialists and Entrepreneurs
- Russian Centre for Microfinancing
- Delovaya Rossiya Association and others.

CALENDAR OF EVENTS IN THE REGIONS

MARCH

Saint Petersburg

"Vnesheconombank Group: Small and Medium Business Support Mechanisms in the NorthWest Federal Region", a workshop.

"Government's SME Support Programme Being Implemented by SME Bank", a workshop.

APRIL

Barnaul, Zarinsk, Biisk, Belokurikha, Gorno-Altai

Meetings with the local business community as part of the Week of Financial Literacy at Altai.

Barnaul, "Key to Innovations", a workshop at which case studies were discussed with the aim of sharing successful SME projects supported by the Bank.

FINANCIAL LITERACY IMPROVEMENT PROGRAMME

Among the initiatives the Bank is working on as part of its non-financial support to Programme partners and small and medium enterprises, the provision of training to partner banks, SME support organisations and small and medium enterprises is a top priority. In 2013, 25 training events, such as seminars, workshops, round tables and conferences, were held both at the Bank itself and in Russian regions, including 10 events for partners and 15 events for small and medium enterprises. Over 2,200 partners and SME representatives took part in them.

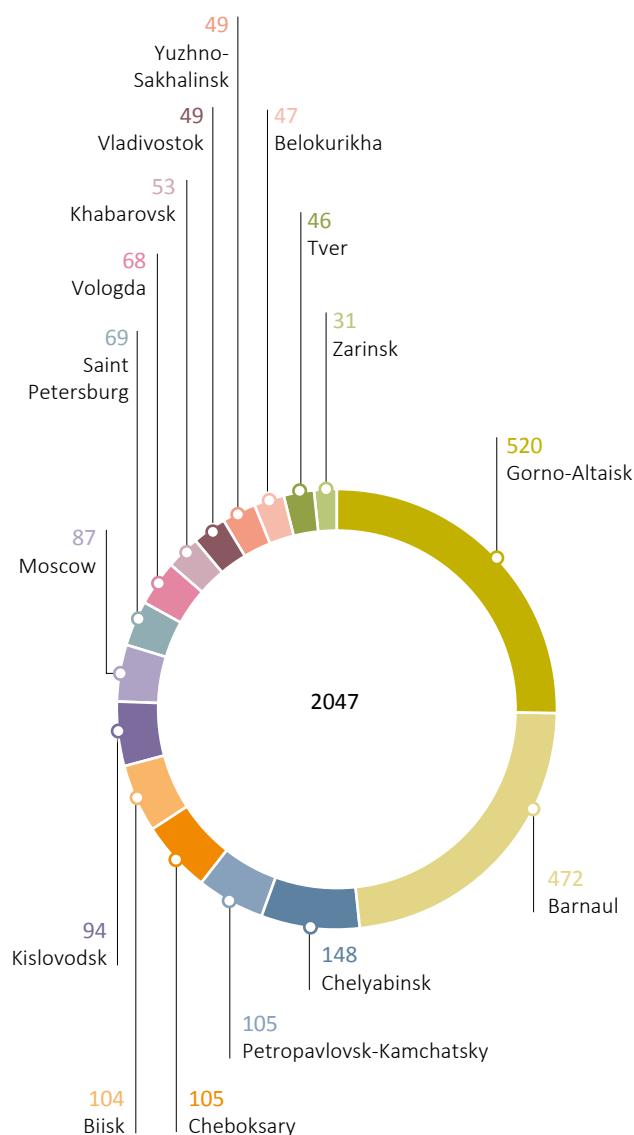
The Bank's specialists informed partners of the latest Programme updates, such as product portfolio updates, new forms of SME support (guarantees), and reporting.

As a result, the Bank's ties with small and medium enterprises have strengthened. Moreover, seminars and workshops are not only a means of communicating the key principles of the Programme, but an opportunity for entrepreneurs to showcase their projects backed by SME Bank via partner organizations. The format the Bank chose for its workshops made it possible to bring together advice from the Bank's experts and success histories from local entrepreneurs and Programme partners. This joint analysis of the steps an applicant has to go through in order to get financial support from the Bank, and the typical mistakes an applicant makes along with feedback from local business communities (questions, comments and suggestions) helped SME Bank update 16 of the 21 products it has in its portfolio. The updated products have become easier to use (please see the link to the table of updated products in the appendix).

➔ see Appendix 1 59

The training SME Bank carried out in 2013 was received favourably by Vnesheconombank and secured an award as the Best Training Initiative of a Vnesheconombank Subsidiary in 2013 in the category Vnesheconombank's Training Programmes in 2013.

REGIONS THE FINANCIAL LITERACY IMPROVEMENT PROGRAMME WAS IMPLEMENTED IN AND THE NUMBER OF SMES WHO TOOK PART



JULY

Tver Region

"From Ideas to Success", a workshop presented before a young audience as part of the Seliger 2013 Russian Youth Forum.

SEPTEMBER

Vologda, Petropavlovsk-Kamchatsky, Yuzhno-Sakhalinsk, Khabarovsk, Vladivostok

"Government's SME Support Programme Being Implemented by the Bank", seminars and workshops.

OCTOBER

Kislovodsk

"Government's SME Support Programme Being Implemented by the Bank in the North Caucasus Federal District", a conference, and "From Ideas to Success", a workshop aimed at raising awareness of the government's SME support measures and financial instruments and detailed discussion of the funding process, illustrated by examples of business projects being successfully implemented in the North Caucasus Federal District.

RISK MANAGEMENT SYSTEM

Risk management is an integral part of the Bank's strategic and operational planning and decision-making.

The risks SME Bank is exposed to match the nature and scale of the Bank's business, standing at relatively "low" levels.

Risk level targets (risk appetite measures) are set for the Bank by its Supervisory Board in a Development Strategy and business plans.

Guided by the quantitative and qualitative business targets set (including credit portfolio quality targets), the Bank's Management Board is responsible for adopting KPIs for each risk, ensuring compliance with the prudential standards applied to risk levels, i.e. the Central Bank of Russia's regulatory requirements for credit institutions (capital requirement adjusted to asset quality – H1; liquidity requirements – H2, H3, H4; credit risk requirements – H6 and H7, H9.1 H10.1; foreign exchange exposure limit).

In identifying and evaluating risks, the Bank uses a set of methods and procedures adopted in accordance with its by-laws.

Identification and evaluation work results are documented in a standardised format for each group of risks for further submission to Bank's management and regulatory agencies.

The efficiency of the current risk management system of SME Bank is ensured by the following:

- Separation of the risk management division from the business divisions and risk management in each of the Bank's committees in charge of risk-bearing operations, which enables unbiased risk evaluations and balanced decisions on risk-bearing operations
- Systemic approach to risk management in dealing with any operations associated with any risks the Bank is exposed to
- Adequate risk management methods, i.e. different groups of risks are analyzed, evaluated and managed using methods that match the nature and scale of the Bank's operations

The steps the Bank took in 2013 to improve its risk management system were intended to align the Bank's risk management approaches with the ones adopted by Vnesheconombank Group members and bring them in compliance with the general approaches recommended by the Central Bank of Russia and the Basel Committee on Banking Supervision. To that end, the Bank revised its Risk Management Policy.

CREDIT RISKS

The steps the Bank takes in credit risk management are aimed at achieving an optimal balance between the technological aspects of the lending process and a high level of credit portfolio quality, ensuring acceptable credit risk levels.

Committed to the continuous improvement of its credit risk management methods, the Bank aims to enhance its system of internal credit ratings and switch to a unified scale of internal credit ratings for the Bank's partners, whatever the category they belong to, subject to Vnesheconombank, the Central Bank of Russia and the Basel Committee on Banking Supervision's recommendations.

With financial markets under pressure and social and political transformation underway in a number of Eastern and European countries, the Bank is setting risk tolerance limits for foreign partners,

monitoring country ratings, the latest developments in countries' social, political and economic domains, setting limits, tracking changes in the legislation of those countries and checks, on a daily basis, that the set limits are met.

In general, the country risk level is an adequate measure matching the scale and nature of the Bank's operations; according to the Bank's assessments, it is acceptable.

MARKET RISKS

Given the nature of the Bank's operations, these risks are less critical for the Bank's financial stability. Nonetheless, the Bank is evaluating each risk (stock market risk, interest rate risk, currency risk) and the overall market risk based on the Central Bank of Russia's guidelines (for capital requirement calculation purposes) and SME Bank's internal procedures.

One of the key market risk management tools used by SME Bank is a system of limits/risk-limiting thresholds. Major market risk management tools adopted by SME Bank include diversification (of bank's assets and liabilities, financial instruments, securities issuers, currencies, etc.) and stress testing of market risk level.

OPERATIONAL RISKS

In order to ensure end-to-end assessment of operational risk levels, the Bank, alongside the basic indicative approach towards operational risk assessment in accordance with the Central Bank of Russia's Regulation No. 346-P of 3 November 2009, uses a statistical method which is based on a database of identified operational risk factors; the Bank uses this method on a regular basis to collect information on identified operational risk factors, monitor the changes in those operational risk factors, assess how tolerable the risk levels are and determine the measures that need to be taken in order to minimise them.

LEGAL RISKS

In managing legal risks, SME Bank ensures that its operations strictly comply with the applicable statutory and contractual requirements, constantly monitors the applicable legislation and other regulations of the Russian Federation, and conducts legal reviews of every document (including by-laws, contracts, orders and other documents the Bank issues) to see whether it is in compliance with the applicable laws, generally accepted business practice and the Bank's interests.

STRATEGIC RISKS

In managing the risks of making strategic decisions, the Bank seeks to use every opportunity it has in order to gain an edge over its competitors. Threats that might weaken the Bank's position through some internal factors are also carefully monitored and attended to. For example, incorrect judgment in deciding what steps to take may lead to the lack of financial, technical, human and other resources needed. Adequate attention is given to such external factors as changes in the macroeconomic situation in the country and worldwide, market trends caused by economic or political events, changes in the government's political or economic policies and changes in legislation.

The Bank assesses the strategic risk it is exposed to as acceptable.

COMPLIANCE RISKS

When it comes to compliance risks, the Bank has a Bank Operations Monitoring Service that takes steps to prevent the legalisation (laundering) of criminally gained income and financial terrorism, including by organising the development and implementation of internal control guidelines. Compliance risk management involves the Internal Control Service, Methodology Service and the Bank's divisions responsible for control over securities market participants' operations and insider information non-disclosure.

REPUTATION RISKS

In order to mitigate reputation risks, the Bank, in carrying out its activities, relies on the principles of transparency of operations and openness in relationships with partners and the business community, pursues a well-balanced marketing policy and builds a system of internal control to prevent any attempts to use the Bank for operations contrary to the law.

CORPORATE CULTURE

The key factor in SME Bank's success is a strong professional team capable of achieving the targets set by the Bank's mid-term strategy. The Bank is interested in attracting talented employees and is determined to create the best conditions for their professional and personal growth.

In 2013, the Bank implemented a number of projects and took a number of steps with the aim of modifying and optimising the HR management business processes it currently has and increasing the efficiency of interactions between all those involved in the processes.

SOCIAL SUPPORT OF EMPLOYEES

The Bank's system of social safeguards and benefits is intended to ensure the loyalty and motivation of employees through competitive wages and a broad range of social security arrangements.

In 2013, the volume of basic benefits remained the same. The programme of social support measures traditionally includes voluntary medical insurance, health and fitness benefits, bonuses paid on anniversary dates, and financial aid for a wedding, funeral and birth-related expenses. In addition, a seniority pay system was introduced for Bank employees having 5 or more years of continuous service, as well as extra pay ensuring that employees get their daily wages during a sick leave (10 workdays a year) were introduced in 2013.

Establishing strong horizontal communications between Bank employees has always been a priority. In 2013, the HR Management Department organised a photo competition among the Bank's employees, a drawing competition among the employees' children, indoor soccer, bowling and curling competitions. A youth indoor soccer team was also created for the employees' children.

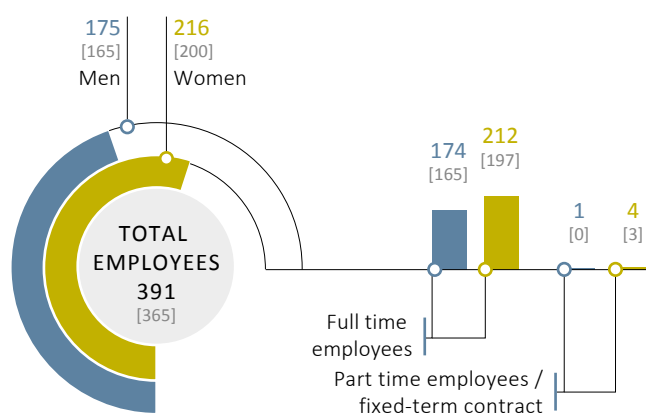
OCCUPATIONAL SAFETY AND HEALTH ARRANGEMENTS

The Bank's labour protection and occupational safety arrangements include training on labour safety regulations and requirements, certification of workplaces for compliance with labour regulations, accident, injury and occupational disease prevention, investigation of injury and occupational disease incidents and provision of medical and preventive care.

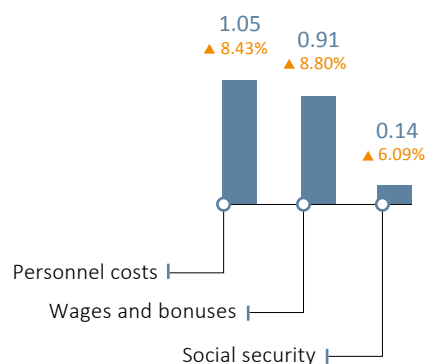
In 2013, the Bank took the following labour protection measures:

- Air quality measurements in locations where photocopying equipment is installed
- 16 managers of the Bank's divisions received training on labour protection requirements at a specialised training centre
- All of the Bank's employees received first aid training
- Air disinfection and decontamination equipment was installed in the Bank's offices
- Employees were given flu vaccines and were informed of infection prevention measures

NUMBER OF EMPLOYEES, INCLUDING EMPLOYEES ON MATERNITY LEAVE *

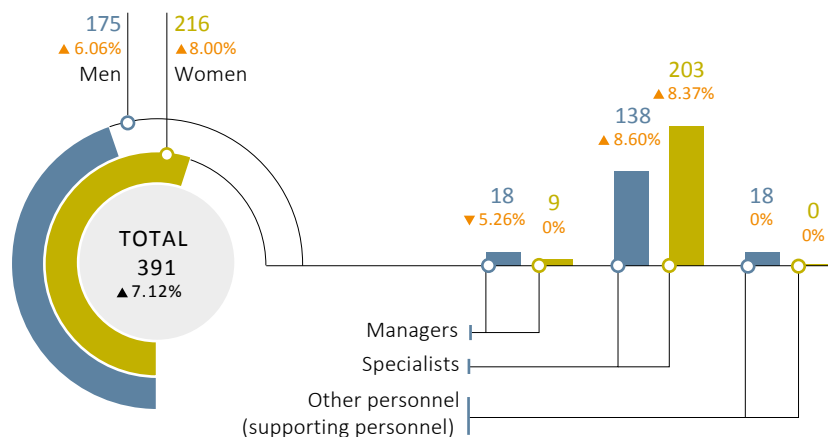


PERSONNEL COSTS AND PAYROLL, RUB billion



* [] – Data for the 2012 fiscal year

PERSONNEL BY EMPLOYMENT TYPE

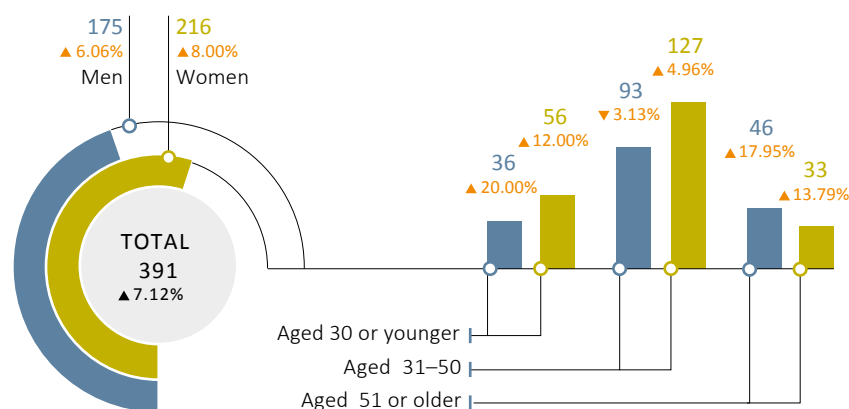


Number of specialists comprised

87.21 per cent

PERSONNEL BY AGE GROUP

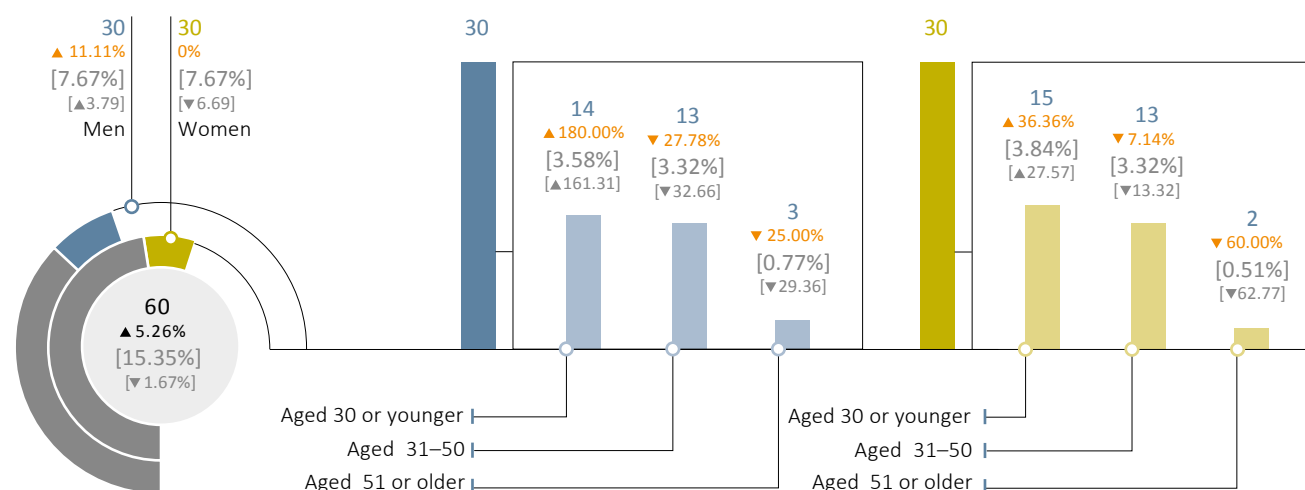
TOTAL NUMBER OF EMPLOYEES



Number of employees aged between 31 and 50 comprised

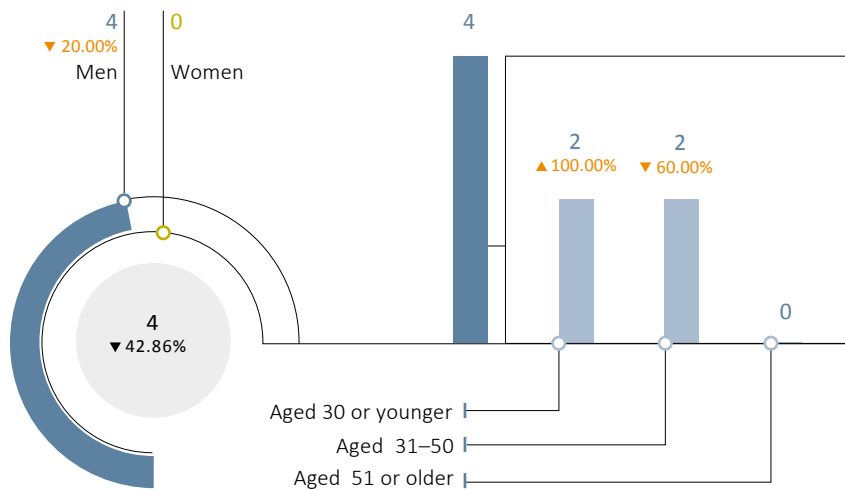
56.26 per cent

TOTAL NUMBER OF EMPLOYEES WHO JOINED THE COMPANY IN 2013*



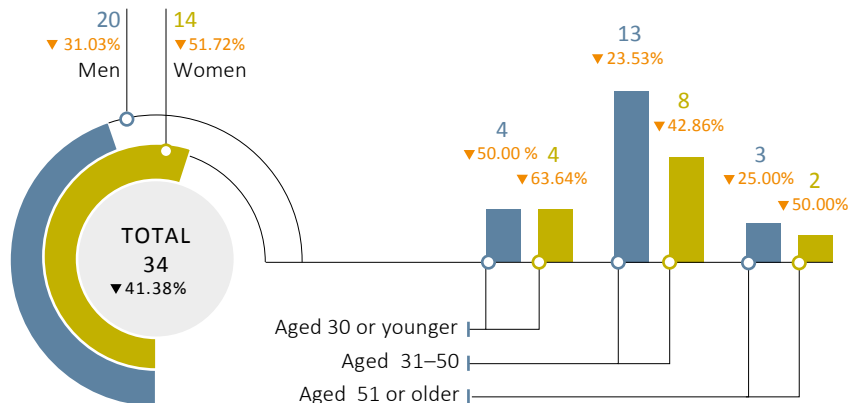
* [] – share of people employed in 2013, %

TOTAL NUMBER OF EMPLOYEES WHO JOINED THE COMPANY IN 2013 OR LEFT THE COMPANY IN 2013



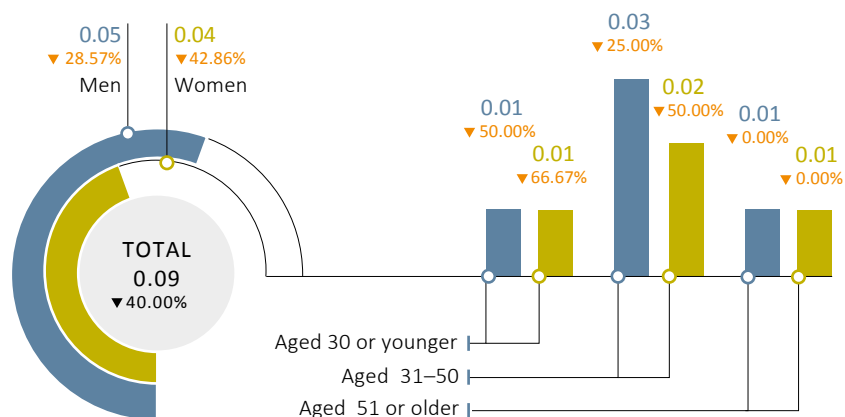
Total number of employees who came into the organisation in 2013 as compared with 2012 decreased by **42.86%**

TOTAL NUMBER OF ALL EMPLOYEES WHO LEFT THE COMPANY IN 2013



Total number of employees who left the organisation in 2013 as compared with 2012 decreased by **41.38%**

EMPLOYEE TURNOVER IN 2013



Staff turnover in 2013 compared to 2012 decreased by **40%**

MEN AND WOMEN'S ENTRY LEVEL SALARY

Entry level salary (full time), thousand RUB *		Ratio of entry level salary to minimum salary, %**		Percentage by which men's salary exceeds women's salary, %
Men	Women	Men	Women	
34	30	178.68	145.90	13.3

*The data is based on minimum salaries in accordance with the organisation chart that was in effect during 2013. Salaries are calculated based on wage rates, employees' qualifications, labour conditions and length of service. The difference in men's and women's salaries is due to differences in job levels and qualification requirements. According to the Corporate Code of Conduct, "the Bank shall prevent any religious, political, national and any other discrimination in recruitment, pay and promotion, respecting personal freedom and human rights".

** Minimum wage rate in Moscow (31 December 2013) is 12,200 rubles.

FURTHER TRAINING AND PERSONNEL DEVELOPMENT

Employees are a key asset, ensuring the high efficiency and competitive strength of the Bank. During 2013, our primary efforts were focused on building a system of continuous personnel training and the automation of employee training. The average number of training hours per employee was 21.46, more than double the 2012 level.

More than 250 training, professional and personal competence development events were organised for the Bank employees. Also, the Bank continued to provide language training to its employees in 2013. team-building activities were organised for Bank managers.

The Bank continues to pay close attention to young professionals and their careers. In 2013, the Bank carried on with its system of mentorship and coaching arrangements for newly recruited employees, which proved to be very successful. In the reporting period, a new project called "Breakfast with the Chairman of the Management Board" was launched. The event gives young professionals an opportunity to discuss their career prospects in the Bank, ask questions they have and make suggestions of their own.

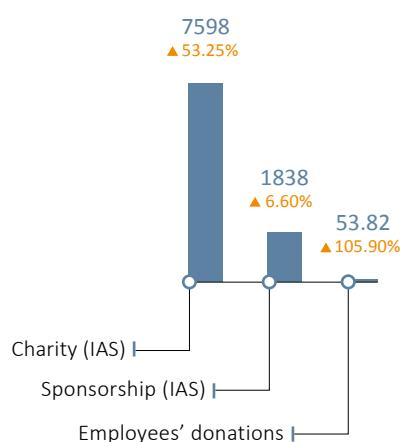
AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE BROKEN DOWN BY GENDER AND JOB TYPE

	Men	Change %	Women	Change %
Managers				
Total number of hours of training (academic hours)	1,009	▲ 83.45	506	▲ 38.63
Total number of employees of this category	18	▲ 5.88	9	▲ 12.50
Average number of hours of training per employee	56.05	▲ 73.26	56.22	▲ 23.21
Specialists				
Total number of hours of training (academic hours)	2,881	▲ 48.81	3,730	▲ 52.43
Total number of employees of this category	138	▲ 42.11	203	▲ 160.26
Average number of hours of training per employee	20.87	▼ 38.55	18.37	▼ 41.44

CHARITY AND VOLUNTEERING

Through its charity and volunteer work, the Bank takes part in socially important initiatives. In 2013, the Bank doubled its charity budget. This increase in the amount of funds spent on charity was due to emergency help to people who had suffered from the flood in the Far East of Russia in July-September 2013.

VOLUME OF SUPPORT OF SOCIALLY IMPORTANT INITIATIVES, thousand RUB



Total amount of support for socially important initiatives comprised RUB

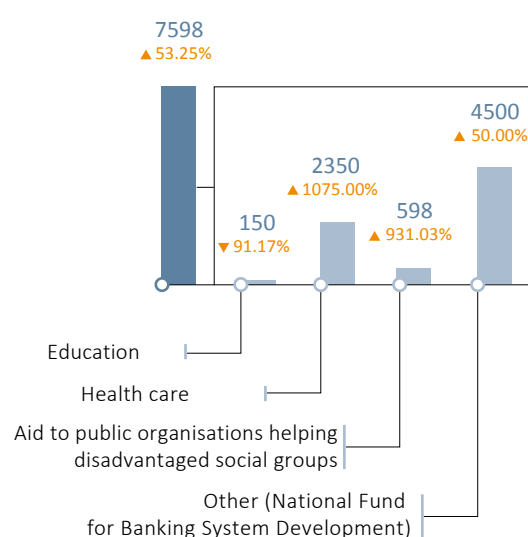
9,489.82 thousand

SME Bank's system of social responsibility to a large extent is fuelled by employees' voluntary initiatives. The Bank's employees promptly respond to emergencies and provide help to those in need on their own.

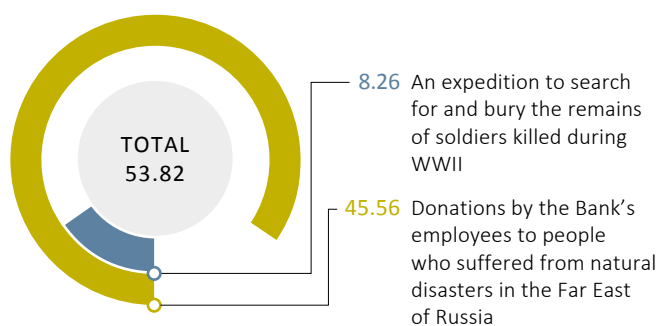
In 2013, the Bank employees organised the following fund-raising campaigns:

- For Impulse, an interregional public charity fund, as part of the 2013 Commemorative Watch, an international campaign;
- For people who suffered from the flood in the Far East of Russia;

CHARITY SPENDING BY STRATEGIC AREAS, thousand RUB (IAS)



DONATIONS, THOUSAND RUB





GIVE THE GIFT OF LIFE, A BLOOD DONATION CAMPAIGN, IN VNESHECONOMBANK GROUP

A total of 225 employees, including 30 volunteers from SME Bank, took part in blood donation events organised by Vnesheconombank Group in July and November 2013. 2013 was the first year when the employees of Vnesheconombank Group organizations joined other Vnesheconombank employees, with the volunteer movement being brought to a whole new level, with more than 100 litres of blood components being collected as a result. The initiative was met with an enthusiastic response from SME Bank's employees; as a result, the number of corporate blood donation events the Bank is planning to organise in 2014 has been increased.



AN EXPEDITION TO SEARCH FOR AND BURY THE REMAINS OF SOLDIERS KILLED DURING THE WORLD WAR II

From 27 April to 8 May, Generation, a search team, joined and supported by the charity Impulse, organised an expedition as part of the 2013 Commemorative Watch campaign, to search for and bury the remains of soldiers killed during the Great Patriotic War.

The expedition explored the Demyansky Area of the Novgorod Region. In 1941- 1942, fierce battles took place here, on the border between Lake Seliger and Lake Velie, during which the Red Army suffered heavy casualties.



The expedition focused its efforts on excavating a mass burial of Soviet soldiers. There were several layers of human remains there; given that it was full of munitions and martial cloaks, it was obvious that those who lay in that burial had died right in the middle of a fierce fight. The expedition found the remains of 77 soldiers. Two readable medallions were found and entered into the register. The remains were reburied on a memorial cemetery near the village of Polnovo.



RESTORATION OF THE CENTRAL REGIONAL HOSPITAL IN LENINSKOE VILLAGE

The flood in the Far East of Russia in July-September 2013 caused extensive damage to the Central Regional Hospital in the Leninskoe village. The hospital provides medical care to all people living in this area.

SME Bank took part in a campaign for the restoration of the hospital's building and medical equipment. The money the Bank raised was used to buy part of the equipment for the inpatient department of the hospital.



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APPENDICES

APPENDIX 1

PRODUCT LINE UPDATES

PRODUCTS ON OFFER BEFORE 2013	2013 UPDATES	
1st Level Microloan, 1st Level Microloan Plus – Regional Fund	SME Microloan, SME Microloan Plus	The purpose of these products is to provide financing to financial institutions working in the microfinance sector, including regional SME support funds; loans of up to 1 million RUB to SMEs.
Microfinance – Bank	SME Microloan	This product is designed to provide microloans to SMEs (from 100 thousand to 3 million RUB) via credit institutions for a period of up to 3 years.
2nd Level Credit Cooperative	2nd Level SME Loan	The range of channels via which financial resources are delivered to SMEs has been extended: in addition to credit cooperatives, this source of funding is now available to regional SME support funds, microfinance institutions or any other institutions whose business is to provide microloans at two levels. The loan size is up to 1 million RUB; the term is up to 3 years.
Leasing – SME Start, Leasing – SME Progress, SME. Leasing for Manufacturers	Leasing – SME Start, Leasing – SME Progress, SME. Leasing for Manufacturers	Reporting (financial reporting) requirements were updated in accordance with the latest accounting regulations.
Leasing – Regional SME Potential	Leasing – Regional SME Potential	The list of one-company or single-industry towns was updated based on the latest list published by the Ministry of Regional Development of the Russian Federation. To achieve the targets set in SME Bank's 2013-2015 strategy, the vehicle purchase option was removed from the list of available ones.
Financing for Innovations and Modernisation. Target-Specific Leasing, SME. Leasing for manufacturers	Target-Specific Leasing	This product is designed to support SMEs who want to buy equipment and/or special-purpose machines using leasing mechanisms within the new strategy. The limit of financing provided to an SME is 60 million RUB; the term is from 1 to 5 years.
SME – Manoeuvre	SME – Manoeuvre	The purpose of this product is to finance SMEs' modernisation projects in the range from 60 to 150 million rub. It belongs to the Loans to Innovative SMEs niche defined in SME Bank's 2013-2015 strategy.
Target-Specific Financing for Innovations and Modernisation	Target-Specific Financing for Innovations and Modernisation	The product is focused on financing SMEs' innovation and modernisation initiatives costing up to 60 million rub. It belongs to the Loans to Innovative SMEs niche defined in SME Bank's 2013-2015 strategy.
SME – Regional Growth	SME – Regional Growth	In order to ensure that the product meets the requirements of the Long-Term Loans to Non-Sales SMEs That Do Not Qualify as Innovative strategic niche, a requirement for an SME to belong to a non-sales sector was introduced; loan terms are in the range of 3 to 5 years (previously, the range had been from 6 months to 3 years).
Factoring – Bank	Non-Sales Factoring – Bank	In order to ensure that the product meets the requirements of the Non-Sales Factoring strategic niche, sales-related SMEs were excluded from the list of potential borrowers.
Factoring – Company	Non-Sales Factoring – Company	In order to ensure that the product meets the requirements of the Non-Sales Factoring strategic niche, sales-related SMEs were excluded from the list of potential borrowers.

APPENDIX 2

COMPOSITION OF THE COMMITTEES AT THE SUPERVISORY BOARD OF SME BANK

STRATEGIC DEVELOPMENT COMMITTEE		
Committee Chairman	Oleg Teplov	Head, Department for the Development of Economic Sectors, Expert Board at the Presidential Executive Office
Committee Deputy Chairman	Dmitry Golovanov	Management Board Member, First Deputy Chairman of the Management Board of SME Bank
Committee Members	Artem Avetisyan	Director, New Business division at Agency for Strategic Initiatives and Project Implementation
	Vladimir Gamza	Chairman of the Committee for Financial and Credit Support to Business at Delovaya Rossiya
	Aleksey Korneev	Member of the Board of Opora Rossii Russian Public Organisation of Small and Medium-Sized Enterprises
	Dmitry Kurochkin	Vice President of the Chamber of Commerce and Industry of the Russian Federation
	Natalia Larionova	Director, Department of Small and Medium Enterprise Development, Ministry of Economic Development of the Russian Federation
	Mikhail Mamuta	Presidium Member, Opora Rossii, President, National Partnership of Microfinance Market Participants, Russian Microfinance Centre
	Aleksey Eskindarov	Director, SME Support Department, Vnesheconombank
Experts	Garegin Tosunyan	President, Association of Russian Banks
	Anatoly Aksakov	President, Association of Regional Banks of Russia
HR AND REMUNERATION COMMITTEE		
Committee Chairman	Aleksey Eskindarov	Director, SME Support Department, Vnesheconombank
Committee Deputy Chairman	Olesya Teploukhova	Management Board Member, Deputy Chairman of the Management Board of SME Bank
Committee Members	Andrey Medvedev	Deputy Director, Department of SME Development and Competition Promotion, Ministry of Economic Development of the Russian Federation
	Vladimir Minin	Director, Department of Affiliated Banks, Vnesheconombank
	Maksim Petrov	Director, Department for HR Management and Document Support, Vnesheconombank
AUDIT COMMITTEE		
Committee Chairman	Artem Avetisyan	Director, New Business division at Agency for Strategic Initiatives and Project Implementation
Committee Deputy Chairman	Varvara Patylina	First Deputy Director, Internal Control Service, Vnesheconombank
Committee Members	Anna Zvereva	Deputy Chairman of the Management Board, SME Bank
	Irina Ivanova	Managing Partner and Director, Law Finance HR, a consulting company Member of the Committee for Financial and Credit Support of Business at Delovaya Rossiya
	Andrey Shubin	Opora Rossii, Head of the Centre of Expert Reviews and Analytics for Entrepreneurship Problems
Expert	Dmitry Tulin	Professor at the Russian Academy of Entrepreneurship

APPENDIX 3

MEMBERSHIPS IN PROFESSIONAL ASSOCIATIONS AND NON-FOR-PROFIT ORGANISATIONS

ORGANISATION	AGENCY	POSITION IN THE COMMITTEE, COMMISSION, ETC.	SME BANK / SME LEASING REPRESENTATIVE		
			NAME	POSITION	DEPARTMENT
Association of Russian Banks	Committee for Prevention of the Laundering of Criminally Gained Income / Financial / Terrorism and Compliance Risks	Committee member	A. Golubchik	Head of the Internal Control Service	Internal Control Service, SME Bank
	Appraisal Business Committee	Committee member	T. Zimina	Head of the Administration and Methodological Support Department	Credit Department, SME Bank
	Workgroup for Development of SME Credit Guidelines	Group member	K. Kleshin	Deputy Department Head	Legal Department, SME Bank
	Banking Law and Law Enforcement Practice Committee	Committee member	D. Gorbunov	Director	Legal Department, SME Bank
	Taxation, Accounting and Financial Reporting Committee	Committee Chairman	V. Potekhin	Chief Accountant	SME Bank Management
Rossiia, Association of Regional Banks	Workgroup for Standardization of SME Credit	Group member	E. Navolneva	Head of the Department of External Methodology	Methodology Service, SME Bank
Rossiia, Association of Regional Banks	Workgroup for SME Credit Contract Standardisation	Group member	D. Beschastnykh	Deputy Director	Legal Department, SME Bank
Venture Innovation Fund	Board of Directors	Board of Directors member	N. Silin	Managing Director	Centre of Industry and Regional Programmes, SME Bank
Chamber of Commerce and Industry of the Russian Federation	Investment Policy Committee	Committee member	N. Silin	Managing Director	Centre of Industry and Regional Programmes, SME Bank
Razvitie LLC	Board of Directors	Board of Directors member	A. Perminov	Deputy Head	Management Board Chairman's Office, SME Bank
Chamber of Commerce and Industry of the Russian Federation	Leasing Subcommittee	Chairman	A. Akindinov	General Director	SME Leasing
National Payment Board, not-for-profit partnership	Committee for Prevention of the Laundering of Criminally Gained Income / Financial Terrorism and Compliance Risks	Committee member	A. Golubchik	Head of the Internal Control Service	Internal Control Service, SME Bank
Russian Venture Fund's Investments into Biopharmacology, LLC	Board of Directors	Board of Directors member	N. Silin	Managing Director	Centre of Industry and Regional Programmes, SME Bank

APPENDIX 4

A TABLE OF REQUIRED GRI* DISCLOSURES

GRI INDICATOR	NAME	CHAPTERS/COMMENTS	PAGE
1.1	Board Chairman's Statement		7
1.2	Description of key impacts, risks, and opportunities	SME credit market overview	16–19
		Risk management system	50–51
		2013-2015 strategy	10–11
2.1	Name of the organisation		4
2.2	Primary brands, products, and/or services	Operations	25–37
2.3	Operational structure of the organisation	Corporate governance	39
2.4	Location of organisation headquarters		4
2.5	Countries where the organisation operates	Russia	
2.6	Nature of ownership and legal form		
2.7	Markets served	Geographic reach	20–21
		SME credit market overview	16–19
2.8	Scale of the reporting organisation	Value chain	8–9
		SME Bank operations overview and SME market overview	12–15
		Activities	25–37
		Corporate culture	52–55
		All financial indicators are given in an appendix to the report where a full version of the Consolidated Financial Statements for 2013 under IAS is provided	
2.9	Significant changes during the reporting period regarding size, structure, or ownership		27, 59
2.10	Awards received in the reporting period		23
3.1	Reporting period		4
3.2	Date of most recent previous report	This report is the first one prepared by SME Bank in accordance with the GRI guidelines	
3.3	Reporting cycle	Annual	
3.4	Contact point		4
3.5	Process for defining report content	In determining the relevant report topics, the priorities of the government's SME support policy, SME credit market analysis data and data of the Analytic Centre of SME Bank regarding SMEs' demand for financial support were taken into consideration	
		Stakeholder mapping	47
3.6	Boundary of the report		4
3.7	State any specific limitations on the scope or boundary of the report	No limitations found	
3.8	Basis for reporting on joint ventures	There were no significant changes in the composition of the bank group over the reporting period	4
3.9	Data measurement techniques	The figures are based on the management accounting, IAS guidelines, Central Bank of Russia's requirements, Vnesheconombank's guidelines, SME Bank's guidelines and GRI guidelines	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	There were no significant changes	

* GRI is a set of international non-financial reporting guidelines developed by the Global Reporting Initiative.

GRI INDICATOR	NAME	CHAPTERS/COMMENTS	PAGE
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	This report is the first one prepared by SME Bank according to the GRI guidelines	
3.12	Table identifying the location of the Standard Disclosures in the report	A table of required GRI disclosures	62
3.13	Policy and current practice with regard to seeking external assurance for the report	Report's compliance with the GRI (3.1) sustainability information disclosure guidelines (Level B) is confirmed by an Application Level Check certificate The Internal Control Service has conducted an audit of the report Financials are based on the annual financial statements	68
4.1	Governance structure of the organisation	Supervisory Board members	41
4.2	Indicate whether the Chairman of the highest governance body is also an executive officer	Being Deputy Chairman of the Board at Vnesheconombank, M. Kopeikin, Chairman of the Supervisory Board of SME Bank, is not an executive officer of SME Bank	41
4.3	The number of members of the highest governance body that are independent and/or non-executive member	The Supervisory Board has the following independent members: A. Avetisyan, A. Brechalov, S. Katyrin	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	The shareholders (shareholder) who own at least 2% of the Bank's voting shares may suggest new agenda items for the annual General Meeting of Shareholders and nominate candidates for members of the Supervisory Board, Audit Commission and Scrutiny Commission of the Bank. The Bank has no minority shareholders; 100 % of the shares of SME Bank JSC are owned by the Bank for Development and Foreign Economic Affairs (Vnesheconombank), a state corporation.	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	Compensation is based on KPIs. In 2013, the country's economy slowed down. Many enterprises who had planned to implement new investment projects decided to postpone them and wait until the situation would improve. But even in this unfavourable environment, SME Bank achieved all of the targets set in its 2013 business plan and demonstrated the following performance: a total of 96.1 billion RUB (+2%) was provided to SMEs; a total of 105.6 billion RUB (+3.5 %) was provided to partners within the SME Support Programme; a total of 57.6 billion RUB (+16.1 %) in loans to innovative SMEs. In SME Bank Supervisory Board's Minutes No. 113 of 11 November 2013, the following bonuses were approved for SME Board members for 2013: S. Kryukov – 102.1 %; D. Golovanov – 102.9 %; O. Teploukhova – 102.9 %	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Prevention of conflict of interest	43
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Further training and personnel development	52

GRI INDICATOR	NAME	CHAPTERS/COMMENTS	PAGE
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	SME Bank has a Corporate Code of Conduct, Social Responsibility Policy (adopted in 2013) and 2013-2015 Strategy	
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance	The annual agenda of the Bank's Supervisory Board includes: pre-approval of the annual report, accounting statements, including an income and loss statement for SME Bank, acceptance of a report on the SME Bank Board's work and approval of a report on the implementation of SME Bank's business plan; implementation of SME Bank's budget; SME Bank profit distribution recommendations, including the size of dividend on Bank's shares and dividend payment terms.	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	This principle is not in use, but it can be attended to in an adjustment to the 2013-2015 Strategy implementation plan	
4.12	Externally developed economic, environmental, principles, or other initiatives to which the organisation subscribes or endorses	SME Bank's Corporate Code of Conduct was developed in accordance with the Code of Banking Ethics adopted by the 19th convention of the Association of Russian Banks and Central Bank of Russia's recommendations.	
		Corporate social responsibility and sustainability policy	6
4.13	Memberships in associations	Engagement with public organisations	61
4.14	List of stakeholder groups engaged by the organisations	Stakeholder mapping	46–47
4.15	Basis for identification and selection of stakeholders with whom to engage	SME Bank is an agent of the government of the Russian Federation in the implementation of a SME support programme. That means that the key stakeholders were determined at the bank establishment stage. They are the Government of the Russian Federation, partner financial institutions, and small and medium enterprises	47
4.16	Approaches to stakeholder engagement	Stakeholder engagement	46–49
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	2013-2015 Strategy was developed and is being implemented on the basis of analysis of stakeholders' expectations	10–11
Information about management approaches (DMA)	Economic performance (EC)	Sustaining the current level of net interest margin with interest rates rising in the financial market. Optimising the structure of Bank's spending through constant control over costs. Minimising risks by concentrating on the Bank's integrated risk management system and enhancing its efficiency.	
	Environmental performance (EN)	At the moment, SME Bank is running a fleet of cars with engines of 3-5 emission class (57% of them belong to the 3-4 emission class). In order to reduce negative environmental impacts, the Bank has in place a car fleet modernisation plan, according to which, by 2015, all of its cars will be of at least 5th emission class. The range of Bank's recycling initiatives is constantly expanding; among other things, it includes a paper recycling initiative being implemented by the Bank under a contract with SFT-Group.	
	Labour practices and decent work (LA)	HR management strategy is focused on the development of professional and personal competences with the purpose of building a reliable and dependable team capable of solving the tasks set out in the Bank's 2013-2015 strategy	

GRI INDICATOR	NAME	CHAPTERS/COMMENTS	PAGE
	Human rights (HR)	According to the Code of Corporate Ethics, "The Bank undertakes not to support questionable projects, including ones causing harm to the environment, involving the use of child labour or forced (slave) labour, abusing human rights, causing violation of national or international sanctions. The Bank does not allow any discrimination of its employees on religious, political, ethnical or any other grounds in recruitment, pay and promotion, respecting their personal freedoms and human rights".	
	Society (SO)	In 2013, the Bank developed a Corporate Responsibility and Sustainability Policy. The purpose of the policy is to control the impact of the Bank on society, economy and environment. Further steps the Bank is planning to take in 2014 include the development and adoption of a by-law on sponsorships and charity, as well as a by-law on corporate volunteering.	
	Product responsibility (PR)	In evaluating the quality of its services, the Bank employs a number of tools, such as questionnaire-based surveys, interviews, telephone hotlines and tools for the collection of feedback through the corporate website. In 2013, a survey of SMEs was conducted (1,314 questionnaires were received) the results of which were submitted to the Ministry of Economic Development of Russia for the purpose of coordinating and monitoring the implementation of SME support programmes. The product portfolio was updated appropriately.	
EC1	Direct economic value generated and distributed	SME Bank's performance Consolidated financial statements	12–15
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Ratio of entry level wage by gender	55
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	Activities Financial literacy improvement programme Charity and volunteering	23–36 49 56–57
EN1	Materials used by weight or volume	19.45 t of paper was purchased	
EN4	Direct energy consumption	2,789.02 (GJ) of electricity was consumed; 4,312.27 (GJ) of heat was consumed	
EN8	Total water withdrawal by source	2,770 (cub. m) of water was consumed; the water is taken from central water supply systems managed by Mosvodokanal	
EN17	Other relevant indirect greenhouse gas emissions by weight	CO2 emissions – 268.83 t. In calculating CO2 emissions, the rate of 0.347 g of CO2 per kWh, set for the Russian Federation by the Intergovernmental Panel on Climate Change (IPCC), is applied.	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Compliance with the applicable regulations on control over harmful emissions in places where photocopying equipment is installed (a fine of 10 thousand RUB) was ensured. In accordance with a compliance order issued by the Federal Service on Customers' Rights Protection and Human Well-Being Surveillance with regard to a classification of hazardous substances, a Draft Evaluation of Classes of Hazardous Waste and Waste Handling Policy was drawn up and submitted to the Federal Service for review and approval.	
EN29	Significant environmental impacts of transporting	Total mileage – 323,751.0 thousand km; total fuel consumption – 66.4 thousand l; total diesel consumption – 1.5 thousand l; absolute fuel-related CO2 emissions – 173 t	

GRI INDICATOR	NAME	CHAPTERS/COMMENTS	PAGE
LA1	Total workforce by employment type, employment contract	Corporate culture	52
LA2	Total number and rate of new employee hires and employee turnover by age group and gender	Employee turnover	54
LA3	Benefits provided to full-time employees	Total number of employees with voluntary insurance policies – 340 (87 %). Total number of employees who received financial benefits – 48; the amount of benefits – 8.77 million RUB	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism	There were no occupational injuries in 2013.	
LA8	Education, training, counselling, prevention, and risk-control programmes in place	Further training and personnel development	55
LA10	Average hours of training per year per employee	Further training and personnel development	55
LA13	Composition of governance bodies and breakdown of employees per employment type according to gender, age group	Personnel breakdown by age group	
LA14	Ratio of basic salary and remuneration of women to men	Ratio of basic salary of women to men	53–54
HR4	Total number of incidents of discrimination and corrective actions taken	There were no incidents of discrimination	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour	No child labour was used	
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Value chain	8–9
		Charity and volunteering	56–58
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	100%. As part of a mandatory retraining and further training programme, a course on anti-corruption practices was taught to all SME Bank's employees	
PR1	Life cycle stages in which health and safety impacts of products and services	Risk management system	50–51
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	There were no fines. All services are provided through partners whose activities are governed by standard agreements. Quality of service-related risks SME Bank is exposed while implementing its SME Support Programme were managed and minimised through regular inspections.	
FS6	Percentage of the portfolio for business lines by specific region, size and sector	Geographic reach	20–21
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business	Portfolio structure	15
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	13 contracts were signed based on environment protection requirements applicable to SME projects. The balance of debt owed by those SMEs is 420 million rub. Average weighted rate across the portfolio of such loans is 10.8 %	
FS14	Initiatives to improve access to financial services for disadvantaged people	SME Bank's office is equipped in accordance with the applicable regulations (SNiP 35-01-2001) on accessibility and safety for people with restricted mobility. A call centre and online help service were made available (the latter was introduced in 2013)	

APPENDIX 5

GRI REPORT



Statement GRI Application Level Check

GRI hereby states that **Open Joint-Stock Company “Russian Bank for Small and Medium Enterprises Support” (SME Bank OJSC)** has presented its report “Annual report 2013” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 5 June 2014



Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 22 May 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

ADDITIONAL MATERIALS



SME Bank's website
www.mspsbank.ru



Bank of Russia's licence authorising SME Bank
to carry out banking operations
www.mspsbank.ru/files/content/licensija-msp.pdf



Consolidated finance reportin of SME Bank (IFRS)
www.mspsbank.ru/files/SME_Bank_Cons_YE13_bw.pdf



Studies done by the Analytical Centre of SME Bank
www.mspsbank.ru/ru/analytical_center/



SME Leasing's website
www.mspleasing.ru



Encyclopedia of leasing for SMEs
www.mspleasing.ru/information/



Vnesheconombank's 2012-2015
Corporate Responsibility Strategy
www.vsb.ru/about/kso/



Agreement on cooperation between development-driving institutions
www.mspsbank.ru/ru/about/support_for_innovation/



Global Reporting Initiative (GRI)
www.globalreporting.org/languages/russian/Pages/default.aspx



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