

## Investor Protection Association

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### IPA GM Voting Recommendations

Company: **OJSC “Bank “Sankt-Petersburg” (BSPB)**

Date of the meeting: **April 26, 2013**

Record date: **March 07, 2013**

### Meeting Agenda and IPA Recommendations:

#	Agenda Item	IPA Recommendation
1	Regulate the procedure of convening of the General shareholders meeting	FOR
2	Approve the annual report, annual financial statements, the income statement, distribution of profits and losses	FOR
3	Approve dividend payments	FOR
4	Approve remuneration to members of the Supervisory council	FOR
5	Approve compensation to members of the Supervisory council for the incurred expenses	FOR
6	Approve auditor of the Company for 2013	FOR
7	Determine the number of members of the Supervisory council	FOR
8	Elect members of the Supervisory council	IPA recommends voting FOR <b>Marlen Dgeraldovich Manasov</b> (IPA

		independent director)*
9	Approve interested-party transactions	ABSTAINED**
10	Elect members of the Audit commission	ABSTAINED*** in respect of the candidacies of Babikova Olga Ivanovna, Duryagina Elena Vladimirovna.  FOR in respect of all other candidates
11	Approve increase of the charter capital	FOR

\* Of all the candidates to the Supervisory Board, Marlen Manasov has been nominated by the IPA members – institutional funds and complies with the definition of the IPA independent director. We kindly ask shareholders to back up the candidate of the IPA who meets the most rigid independency requirements and has vast banking experience.

\*\* There is no publicly available information about the interested-party transactions to be closed, which is why we cannot recommend shareholders to vote FOR the proposed transactions, despite a rather comfortable limit set for the transactions of no more than 3% of the balance sheet value of the assets.

\*\*\* Whereas two of the candidates to the Audit commission represent the top management of the Bank, their objectivity might be put to question in view of possible conflict of interest.

## Brief Company Description

OJSC “Bank “Sankt-Petersburg”, which is one of the largest regional banks in Russia, was founded in 1990. The bank operates on the territory of St.-Petersburg, the Leningrad region, Moscow, Kaliningrad and Nizhny Novgorod. The bank is one of the leaders among providers of banking services, including crediting, operations with securities, card acquiring, cash management and payment services, FX operations, operations of private individuals and legal entities, operations in the interbank credit market.

## Detailed Analysis of Meeting Agenda Items

**Agenda Items 1, 2 and 3: Approve the annual report, annual financial statements, the income statement, distribution of profits & losses, including dividends.**

IPA Recommendations:

1	Regulate the procedure of convening of the General shareholders meeting	FOR
2	Approve the annual report, annual financial statements, the income statement, distribution of profits and losses	FOR
3	Approve dividend payments	FOR

Items 1, 2 and 3 (Regulate the procedure of convening of the General shareholders meeting; approve the annual report and financial statements; approve dividends): we recommend voting FOR, because the Bank's financials are sound and the proposed dividends, in our view, are in line with current capacities of the Bank;

#### Item Description:

Shareholders are asked to approve the procedure of convening of the General shareholders meeting, the annual report and financial statements of the Company, as well as dividends.

#### Financials

Below basic financial and operational indicators of the Bank are highlighted:

Metric	2011	2012	% change
<b>Assets*</b> (mln. rub.)	324 313	351 035	8,2%
Net lending receivables or equivalents (mln. rub.)	227 626	237 078	4,2%
Net investment in securities (mln. rub.)	56 618	56 003	-1,1%
Customer deposits (non-credit organizations) (mln. rub.)	229 387	228 025	-0,6%
<b>Equity**</b> (млн.руб.)	<b>38 413</b>	<b>42 487</b>	<b>10,6%</b>
Shareholder equity (Bank's equity less subordinated loans) (mln. rub.)	30 982	33 079	6,8%
Capital adequacy (H1)	11,5%	12,0%	0,5pp
Profit after taxation (mln. rub.)	3 367	869	-74,2%
<b>Capitalization***</b> (mln.\$.)	<b>832</b>	<b>637</b>	<b>-23,4%</b>

\* Loan assets form the largest share in the structure of assets with 67.5%, having increased by 4.2% by results of the year up to 237bn rubles. The second largest assets item is investments into securities amounting to 56bn rubles (17.3% of the assets).

\*\* In 2012 the equity increased by 4bn rubles (10.6%), which is a result of placement of subordinated bonds, the profit generated and revaluation of fixed assets and investments of the Bank.

\*\*\* The drop in capitalization is first and foremost due to the ongoing global financial crisis and reduced liquidity level. The Russian markets are particularly volatile under conditions of inflow/outflow of world liquidity.

In 2012 the main sources of income were interest income on loans provided, commission fees, revenues from FX operations, operations with securities acquired, positive revaluation of funds in foreign currencies.

The financial liquidity by results of the previous year is satisfactory. The Bank demonstrates efficient level of liquidity ratios, which is confirmed with the balanced assets and liabilities structure.

### **Dividends**

By results of 2012 it is proposed to pay out dividends as follows: on ordinary shares – 33.1m rubles (11% of the nominal value), on preferred shares – 2.2m rubles (11% of the nominal value), on preferred shares class A – 832.1m rubles (13.5% of placement price of one preferred stock class A set in US dollars at the exchange rate of the RF Central Bank as of 25.03.2013: 30.9325 rubles for \$1). Thus, the dividends will be paid out as follows:

- on one ordinary share 0.11 rubles
- on one preferred share 0.11 rubles
- on one preferred share class A 12.76 rubles

The dividends shall be paid out starting from June 10, 2013. It is proposed to adopt the dividend payment procedure in the wording submitted for voting.

The remaining share of the net profit in the amount of 1.8bn rubles is to be used as retained profit.

### **Items 4, 5: Remuneration to members of the Supervisory council and compensation of their expenses**

#### **IPA Recommendations:**

4	Approve remuneration to members of the Supervisory council	FOR
5	Approve compensation to members of the Supervisory council for the incurred expenses	FOR

We recommend voting FOR these items, the proposed size of remuneration and compensation is in line with the market. At the same time it should be noted that we lack the information about the approach applied to determine remuneration to be paid to each member of the Board.

#### **Item Description:**

Shareholders are asked to approve the remuneration to members of the Supervisory council in the following amounts:

1. Neivelt Indrek - 2 .2m rubles;
  2. Bychkov Andrey Pavlovich – 2.0m rubles;
  3. Buyske Susan Gail - 1.85m rubles;
  4. Ibragimov Andrey Taledovich – 1.95m rubles;
  5. Ivannikova Elena Viktorovna – 1.3m rubles;
  6. Kukuruzova Nina Vasilyevna – 1.9m rubles;
  7. Pustovalov Alexander Vadimovich – 2.1m rubles;
  8. Savelyev Alexander Vasilievich – 1. 5m rubles;
- The aggregate amount of expenses subject for compensation suggested for approval is 2.5m rubles.

### **Item 6: Approve ZAO “BDO” as Auditor of the Bank for 2013**

#### **IPA Recommendations:**

6	Approve ZAO “BDO” as Auditor	FOR
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We recommend shareholders to back up the candidacy of ZAO “BDO” as auditor of the financial statements of the Bank for the following reasons:

1. ZAO “BDO” is a member of the international association of independent audit and consulting firms BDO. BDO renders auditing services in respect of accounting (financial) statements compliant with the RAS, as well as with other national and international reporting standards, including the IFRS.
2. There are no known controversies over Bank’s financials that would cast doubt over the auditing situation.

It should be noted that despite support of the candidacy of ZAO “BDO”, the Bank publicly disclosed no information clarifying why ZAO “BDO” was eventually selected as auditor of the Bank (whether there was an open tender, etc.).

**Item 7, 8: Determine the number of members of the Supervisory council and elect members of the Supervisory council.**

**IPA Recommendations:**

7	Determine the number of members of the Supervisory council	FOR
8	Elect members of the Supervisory council	IPA recommends voting FOR <b>Marlen Dgeraldovich Manasov</b> (independent director)

We recommend voting FOR on Item 7, since the decision that the Supervisory council shall consist of 12 members gives minority shareholders a leverage on the process of forming of the Supervisory Board. A positive decision on the item would mean that actually all proposed candidates will be elected to the Supervisory Board.

As for Item 8, the IPA recommends shareholders to vote to FOR the independent director **Marlen Dgeraldovich Manasov** who is backed up by the Association, for the following reasons:

1. Mr. Manasov is a fully independent candidate and has a spotless reputation among the investors, the IPA members;
2. Mr. Manasov is highly qualified and possesses extensive experience of working in financial markets and on boards of Russian companies.

**Item Description**

By voting on Item 7 shareholders are asked to approve that the Supervisory council of OJSC “Bank “Sankt-Petersburg” shall consist of 12 members. As compared with the previous year, the number of members is increased by one member, which we regard as a positive factor evidencing openness of the company.

The following 12 candidates have been proposed:

#	Full name	Position	Status
1	Buyske Susan Gail	Representative of the European Bank for Reconstruction and Development	Member of the Supervisory council of the Bank since 2012, a representative of the minority shareholder
2	Bychkov Andrey Pavlovich	State corporation “Bank for development and international commerce” – deputy director of the Financial Institutions Department	Member of the Supervisory board of the Bank since 2005
3	Garyugin Vladimir Alexandrovich	State unitary enterprise “ГУП «Petersburg Metro” – head	Member of the Supervisory board of the Bank since 2005
4	Ibragimov Andrey	ZAO “Musin, Ibragimov and partners” –	Member of the Supervisory

	Taledovich	general director	board of the Bank since 2005
5	Ivannikova Elena Viktorovna	OJSC "Bank "Sankt-Petersburg" – first deputy chairman of the Board	Manager of the Bank
6	Karmazinov Felix Vladimirovich	State unitary enterprise "Vodokanal Sankt-Peterburga" (water supply and waste water treatment plant) – general director	Member of the Supervisory board of the Bank since 2006
7	Kukuruzova Nina Vasilievna	Cultural center for employees in the educational sector – director	Member of the Supervisory council of the Bank, council to the Chairman of the Bank's Board
8	<b>Manasov Marlen Dgeraldovich*</b>	<b>Individual entrepreneur Manasov Marlen Dgeraldovich (at present);</b>  <b>OJSC "Svyazinvest" (from 02.2005 till 11.07.2012) – member of the Board of Directors;</b>  <b>ZAO "UBS Securities" (from 17.07.2008 till 01.04.2011) – member of the Board of Directors;</b>  <b>ZAO "UBS Securities" (from 20.10.1997 till 15.07.2008) – General director</b>	<b>Independent director</b>
9	Neivelt Indrek	OU "TRUST IN", general director	Chairman of the Supervisory council of the Bank since 2005
10	Pustovalov Alexander Vadimovich	General director of ZAO "Investment group "Evolution"	Member of the Supervisory board of the Bank since 2012
11	Saveliev Alexander Vasilievich	OJSC "Bank "Sankt-Petersburg", chairman of the Board	Manager of the Bank
12	Smushkin Zakhar Davidovich	Russian Union of Industrialists and Entrepreneurs, member of the Management Bureau;  OJSC "Group Ilim", Chairman of the Board of Directors;	N/A

	ZAO "MC Start", Chairman of the Board of Directors;  ZAO "MC "Start Development", Chairman of the Board of Directors	
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\* This candidate is officially supported by the IPA at this meeting.

For more detailed information about work of the IPA with independent directors please visit our website: <http://ipa-moscow.com/content/independent-directors>. All of the independent directors supported by the IPA are available for direct contact with shareholders; just [contact us](#) for details.

### Item 9: Approve interested-party transactions.

#### IPA Recommendations:

9	Approve interested-party transactions	ABSTAINED
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We recommend voting ABSTAINED on this Item, since no information is available in public sources about the proposed interested-party transactions.

#### Item Description:

The shareholders are asked to approve the interested-party transactions, the aggregate value of each transaction or a number of related transactions amounting to 3% of the balance sheet value of the Bank's assets.

### Item 10: Elect members of the Audit commission

#### IPA Recommendations:

10	Elect members of the Audit commission	ABSTAINED in respect of the candidacies of Babikova Olga Ivanovna, Duryagina Elena Vladimirovna.  FOR in respect of all other candidates
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Two of the candidates represent the top management of the Bank and do not comply with the independency requirements to members of the Audit commission. It is difficult to assess the status of other candidates, but they are not employees of the Bank.

#### Item Description:

The Audit commission of the Bank consists of five members. The following candidates are proposed for voting:

#	Full name	Position	Status
1	Babikova Olga Ivanovna	OJSC "Bank "Sankt-Petersburg", director of the Commercial department	Manager of the Bank



2	Voronova Tatiana Nikolaevna	ZAO "UNISTO", deputy general director for finance	n/a
3	Duryagina Elena Vladimirovna	OJSC "Bank "Sankt-Petersburg", deputy director of a Direction, Credit Department	Manager of the Bank
4	Golovko Ekaterina Romanovna	ZAO "Investment group "Evolution", senior legal adviser	n/a
5	Komyshva Nadezhda Innokentyevna	ZAO "Investment group "Evolution", head of the financial planning and reporting department	n/a

Members of the Audit commission are elected by simple majority of votes.

### Item 11: Increase of the charter capital

#### IPA Recommendations:

11	Increase of the Charter capital	FOR
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We recommend voting FOR on this Item, since additional shareholders equity will allow the Bank to maintain high business growth rates in view of the new long-term development strategy: the regional universal bank with a focus on quality of client services. The funds received by results of the placement will be allocated for business development. Besides, this decision helps the Bank mitigate the risk of non-compliance with the new instructions of the Central Bank in respect of capital adequacy regulations, which are under discussion at the moment (and are expected to enter into force this October), in case of implementation of the development strategy stipulating increase of the credit portfolio. The placement price is to be determined by the Supervisory Board of the Bank based on the market situation at the moment of the decision.

#### Item Description:

Shareholders are asked to approve increase of the charter capital of OJSC "Bank "Sankt-Petersburg" by means of placement of additional ordinary registered shares in the amount of 100m shares and the nominal value of 1 ruble. The capital is to be increased by approximately 28% of the current charter capital of the Bank.

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While we have done our best to collect the most accurate information, our report is not meant to replace original sources of information; we are not responsible for errors or incongruences in the report.

With any comments or questions, please call us at +7 (495) 510-5306 or email us at [polovnev@ipa-moscow](mailto:polovnev@ipa-moscow)