



## **“IT IS AN OPPORTUNITY FOR ME TO APPLY SOME OF MY WESTERN EXPERIENCE IN A RUSSIAN CONTEXT TO A RUSSIAN BANK”**

**Stuart Lawson, Chairman of the Executive Board, Soyuz Bank, describes how new forms of funding, such as securitisations, are having a beneficial impact on the Russian banking sector**

### **What experience do you bring to your latest position with Soyuz Bank?**

I spent 25 years with Citibank in ten countries around the world which included being President of Citibank in Russia from 1995 to 1997. When I left Citibank, I decided to return to the country that had held most fascination for me.

I returned to Russia as Chairman of Delta Bank from 2000-2003, working for the US-Russia Investment Fund. I moved to Basic Element in March 2004, and in August 2004 I became Chairman of the Executive Board of Soyuz Bank. I joined as about the same time that Alexander Livshits became the Chairman of the Supervisory board.

Both Alexander and I have been tasked by Oleg Deripaska to create a universal, independent commercial bank with a regional presence.

I spent four months working with Accenture last year to develop a strategy to cover the next three to five years. Bank Soyuz was created from three separate banks, which were consolidated two years ago. It is an opportunity for me to apply some of my western experience and apply it in a Russian context in a Russian bank. To help the bank to focus both the credit and sale processes and to develop the bank in a way that is not a western bank but which would take the best of the western practices, and where possible apply them in the Russian context.

From my personal view point this is one of the most challenging positions that I could hope for as it allows me to really focus on a business and a geography that I have been interested in for 10 years.

### **When you describe it as challenging, which particularly hurdles would you identify?**

The challenge that we face are faced across Russia by many businesses that relate to the continuing need for transparency. We have put transparency in place at Soyuz by having in our accounts audited by PwC for the last three years. We have consolidated results for the last three years. As we deal in the Russian environment we look for the same transparency to occur with our counterparts both in Russian banks and more importantly with our corporate clients.

There is a challenge of a credit process in an environment where accounting practices and corporate governance are still being developed. That provides a challenging backdrop. But I think that there has been significant progress over the last nine years when I was first involved here.

The element which has been a challenge and an opportunity has been the creation by Soyuz of a retail bank. 18 months ago we had very limited exposure in terms of our retail business. The business we had related to some payroll structures and limited offerings. Since then we have significant growth in terms of our deposit base and network. We now have 40 points of sale and over 20,000 loan clients with around 66,000 new depositor clients. Very excitingly, we have also become one of the leading autocredit banks.

We were the first ever to securitise our portfolio. Even though the transaction was only \$50m, it represented

a break through for this type of funding. We were able to acquire Baa3 investment rating for the senior notes in this transaction from Moody's. This really validated our business model from the point of view of the way we manage and service the customers in this market segment. I said at the time, when this closed in July, I quoted an unnamed rating agency which securitisation was the next frontier and I am very happy that Soyuz was the first to cross the frontier. I would expect that early next year we would have another securitisation of at least this size.

Soyuz has a strategy to build up a regional presence; it will maintain its corporate business and grow that. Clearly we will maintain our relationship with Basic Element but we will also grow our corporate business. We have an active treasury business which will be maintained. We are delighted at the progress that has been made in the consumer business, especially with this recent groundbreaking transaction.

### **Is it correct to say that such processes of diversifying are all part of making the banking system more robust, which would be welcome after last summer's 'mini banking crisis'?**

I think that last year's mini crisis demonstrated that there is still a way to go in reforming the entire banking sector in Russia. Certainly by bringing in new forms of funding, such as securitisations, the system has access to longer-term funding and this has an overall beneficial impact. 