

"We are servicing the consumer goods industry and the consumers themselves"



Nikolai Tsvetkov, President, Uralsib Financial Corporation, outlines how the corporation is developing its retail network and is focused on fast growing, medium enterprises to enhance regional development across Russia and ensure that there is a stronger middle class

Has the Russian economy now entered a stable growth phase?

Yes. We are basing our strategy on the fact that the macro-economics of the Russian economy are pointing to new opportunities and new potential for growth for Russian companies. This includes companies such as Kopeyka, Lenta, Lebedyansky and Arbat Prestige. Also, I would include our own bank in this category of companies.

Our forecast for inflation is slightly different to the figures given by the government. The government inflation figures point to a much faster drop in inflation to five per cent to six per cent per annum. Of course, the stability of the Russian economy today is based on the stable budget surplus, the stable growth of the Russian economy and the growth of the reserves of the stabilisation fund and banking reserves.

What helps you to invest successfully in the Russian market?

The market has grown 60% this year, but it is still the most undervalued market among the representatives of the main developing sectors in the world. Trust towards Russia is there – as exhibited by stock market growth and the yield of our bonds compared to US treasuries. It is true to say that Russia is a typical resource-based country – but this is not a minus, it is a plus. The Russian economy is growing and the share of the overall revenues of the government from the resources is 42%. Both the in-

dustrial sector can boast extremely attractive opportunities in the companies which are developing new technologies. These are the companies which achieve much higher growth rates compared with the blue-chip clients in the same industries across Russia.

Also, one can notice a mortgage boom in Russia and the stabilisation fund had allocated substantial resources for mortgage financing. We are now in talks with major financial institutions for mortgage lending and the Russian banking sector is now seriously addressing the mortgage market. It will help to boost the construction industry. It will affect the small and medium sized companies and it will considerably impact the consumer-related industries the trading company, its share, in the economy as a whole.

Moreover, in the last few months, the Russian government has adopted a new decree on the creation and scope of the stabilisation fund. The priorities that have been defined so far are aimed at infrastructure projects: at innovation and technological development of the country that will allow the Russian economy to be even more stable in the future.

Does that mean that you believe that the 'rule of the game' for doing business in Russia are clear?

There are some very clear rules of the game, which are quite straight forward. We have seen the development of the

insurance deposit legislation and the economic climate which today is quite favourable. It allows us under the circumstances not only to consolidate but to grow in tandem organically with the market. Recently we have seen a great deal of interest from investors – they are showing a huge amount of interest in the new financial structures which are merging. If you are talking about Uralsib, you can say that we belong to the group of companies which are part of the new breed. Our growth rates let us hope that we can maintain this momentum in the future based on the overall growth of the economy.

What was the logic behind the merger which created Uralsib Financial Corporation?

Uralsib recently managed to complete the largest merger in central and eastern European banking. Five banks were merged. After the consolidation, we are now in the top league of private financial structures in Russia. The state banks are undisputed leaders in the Russia economy today with a market share of 52% to be precise.

According to the results of the first six months of 2005, we have grounds to believe that given the spread of our retail network and our activities, we shall be able to actively grow and help develop medium-sized enterprises in Russia. This is our main core market.

The profits, which are growing today, can be explained by the integra-

Print your own boarding pass at home and save time. Visit ba.com




BRITISH AIRWAYS

tion and cost cutting, and also thanks to our activities in the SME market. \$30b to \$40b may not be the assets of a leading European bank, but we are talking about Russia. The largest Russian banks are measured in these numbers.

In terms of the stability of our business, one can also note that apart from the high growth rate, we have very good capital adequacy figures – 17.8%. The average for the banking sector in Russia is 12% at the moment. We have 12,000 employees in 525 offices across Russia. We have one of the top credit ratings for a Russian bank. Banking is the core focus the conglomerate (at 62%), it is the main part of our activity, but in the Russian market we are working as a financial group. Our business portfolio is well-diversified. Today, we can boast asset management, brokerage, insurances and other financial services. We are in the top five Russian companies in all these areas.

Therefore your strategy is targeted at medium-sized enterprises and the emerging middle class in Russia?

Our strategic position is as the leading supplier of a large range of financial services in the Russian market. It is the reason to create a package from different products for our clients, which will help them to speed up their own development. Moreover, we are actively developing using our retail network. We shall maintain our strategy of purchasing regional banks, to focus our attention on fast growing, medium enterprises. Just like our other colleagues in the business, we are actively fine tuning the quality and quantity of our business and ensuring that it is up to the best standards globally. For example internet banking which enables us to automate and standardise all our services.

We are creating new jobs, promoting social responsibility, helping companies to grow, making sure that we are developing the leaders of tomorrow, helping to facilitate SME growth, enhancing regional development across Russia and ensuring that there is a stronger middle class. Working as a financial corporation, we are first and foremost dependent on our federal network. We are servicing the consumer goods industry and

the consumers themselves. As for as the corporate sector is concerned, we act as a quasi-incubator for business helping them to make investments.

We have two strategic business models – as a financial supermarket and as a financial bridge. This is what makes Uralsib different. It is a profitable and sustainable business model.

Would you identify any potential risks to investing in Russia?

Some people say that Russia has unduly high corporate governance risks. In the last five years, the management in Russia has improved dramatically. A lot of companies are better prepared to meet investors.

We can look to the future with great optimism. The technology which we have in our financial organisation means that we can focus on regional companies first and foremost. There are several hundred lively companies, which in the last couple of years have considerably improved their businesses. They have a very high level of transparency. Uralsib is putting its bets on those very companies. 