VOZROZHDENIE BANK

THE BANK THAT IS ALWAYS WITH YOU

9M 2011 IFRS Results
Improved performance in turbulent times

Conference Call
November 22, 2011

Key takeaways

Even in turbulent market environment…

- USA rating downgrade to AA+ coupled with insurgent European debt crisis caused meltdown on global financial markets
- ***13.5%*** Russian ruble depreciation vs USD for the quarter on the back of increased demand for FX amid strong oil prices
- Liquidity in banking system shrank due to capital outflow, heightened liquidity needs of European banks subsidiaries and tight budget execution. Interbank rates reached ***4.9%*** in October, overnight repo rates hiked to ***5.7%*** with record volumes of CBR repos of ***Rub 520 bln.***

…sound balance sheet…

- Liquid assets stood at ***24%,*** while their structure shifted to more profitable one with increased share of security portfolio ***(+17.5% QoQ)***
- Share of IEA grew to ***80%,*** up ***225 bps QoQ*** on the back of growth of security and loan portfolio ***(+2.8% QoQ)***
- Balanced currency structure of assets and liabilities with prevailing Ruble-nominated instruments

…delivers resilient performance

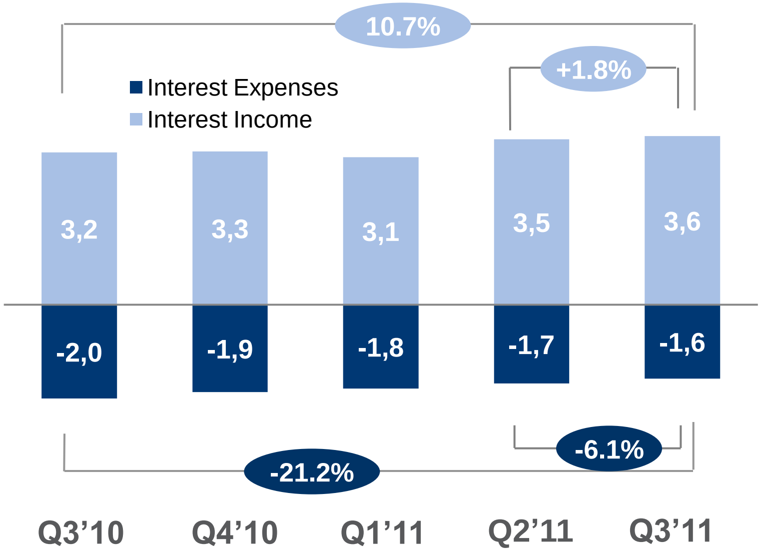
- Interest expenses contracted by ***6%*** QoQ following expensive deposits' repricing, cost of funds touched the lows with the reduction from ***4.3%*** to ***4.0%***
- Despite significant market drop losses on trading were just ***Rub 28 mln***, gains on foreign currency up ***6% QoQ***
- Operating income up ***8.9% QoQ*** on the back of stronger NIM of ***4.6%*** and sound non-interest revenues

Financial highlights

	Q3'11	Q2'11	Q3'10	*QoQ*	*YoY*
NIM	4.6%	4.3%	3.3%	*+0.3 pps*	*+1.3 pps*
Net interest income	2,022	1,857	1,251	*+8.9%*	*+61.6%*
Net fee income	1,256	1,192	1,044	*+5.4%*	*+20.3%*
Operating expenses	(2,059)	(2,091)	(1,718)	*-1.5%*	*+19.8%*
Net income	411	395	179	*+4.1%*	*+130%*
ROE	9.3%	9.1%	4.3%	*+0.2 pps*	*5.0 pps*
Gross loan portfolio	136,691	132,729	105,542	*+3.0%*	*+29.5%*
Customer accounts	138,235	135,288	125,064	*+2.2%*	*+10.5%*
L/D	98.9%	98.1%	84.4%	*+0.8 pps*	*+14.5 pps*
NPLs	11,488	11,030	11,592	*+4.2%*	*-0.9%*
NPLs as % of loan portfolio	8.4%	8.3%	11.0%	*+0.1 pps*	*-2.6 pps*
Capital adequacy	13.4%	13.6%	16.3%	*-0.2 pps*	*-2.9 pps*

NIM steadily recovers

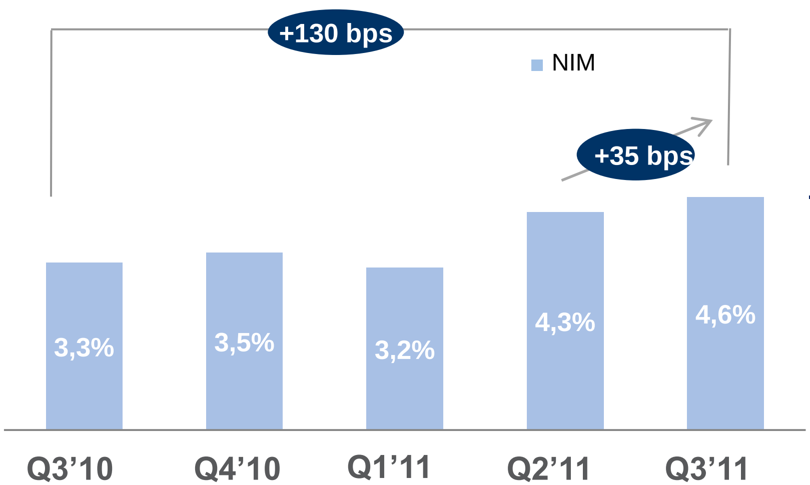
Interest Income and Interest Expenses, RUB bln



- Interest income keeps rebounding on the back of increasing volume of portfolio and higher share of more profitable retail lending. In Q3 2011 it stood at Rub 3.6 bln, up 1.8% QoQ.

- In Q3 interest expenses hit record lows following expensive deposits’ expiration that finished only in May’11. Thus, cost of funding declined to 4% for the quarter on the back of interest expenses decrease of 6.1% for the quarter.

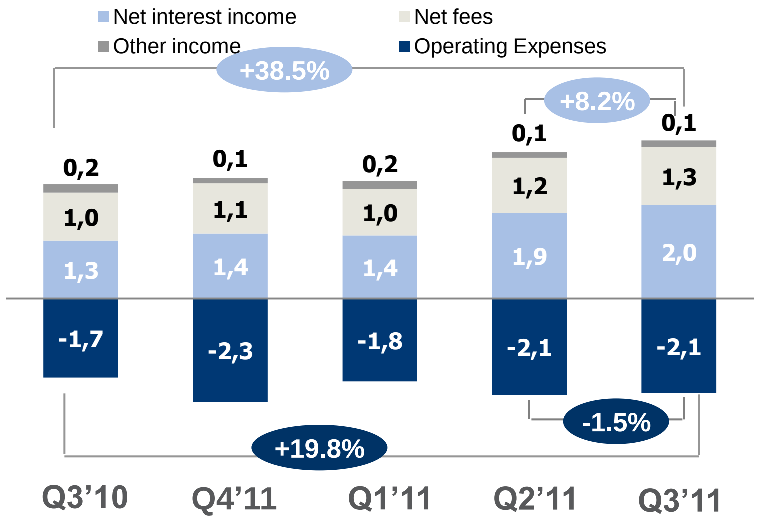
NIM evolution



- Net interest margin on total average assets inched up by 35 bps QoQ mostly driven by contraction of interest expenses on the back of healthy interest income.

Reliable sources of non-interest income

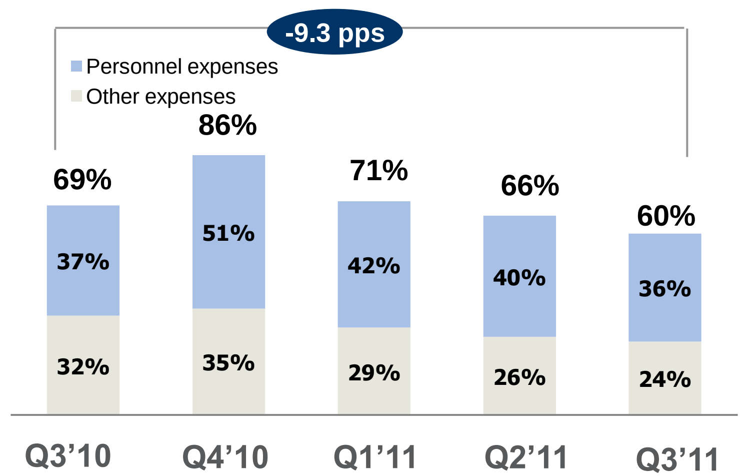
Operating Income and Expenses, RUB bln



- The bank managed to maintain its non-interest income in Q3, that is normally characterized by subdued economic activity. Net commission income grew by 5% mostly driven by cash collection, commissions on currency and cash transactions. Despite substantial meltdown on financial markets, trading income was 30% up QoQ on the back of gains from currency operations. Supported by healthy interest and non-interest revenues total operating income before provisions was 8% QoQ.

- The bank managed to restrain growth of operating expenses, that were down 1.5% QoQ.

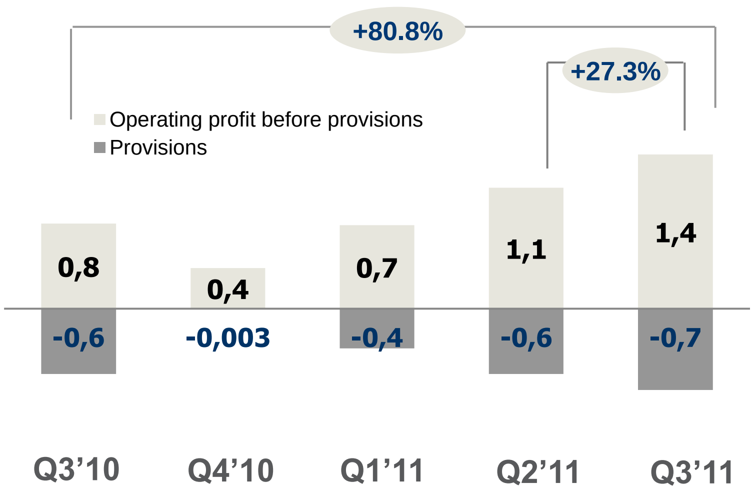
Cost to Income before provisions,%



- Cost to income ratio declined by 5.97 pps QoQ and improved to 60% due to stronger operating income and control over operating expenses.

Solid operating profit despite conservative provisioning

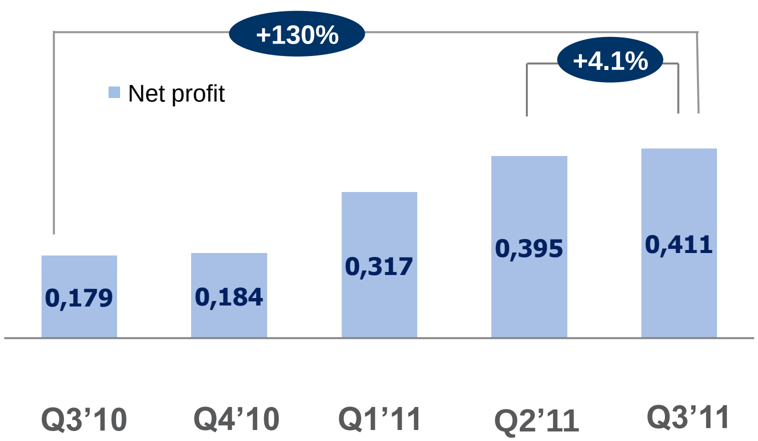
Operating profit and provisions, RUB bln



- **Operating profit for the third quarter was up 27% QoQ due to positive dynamics of all revenue sources coupled with control over operating expenses.**

- **The bank enhanced charges to provisions to Rub 720 mln for the quarter on the background of increased uncertainty. Thus cost of risk grew to 2.1% in Q3 2011 and 1.7% for 9M 2011.**

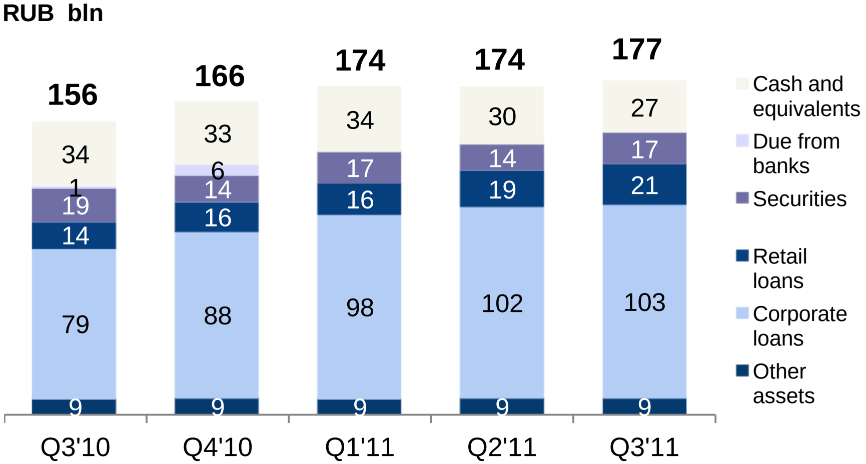
Net profit, RUB bln



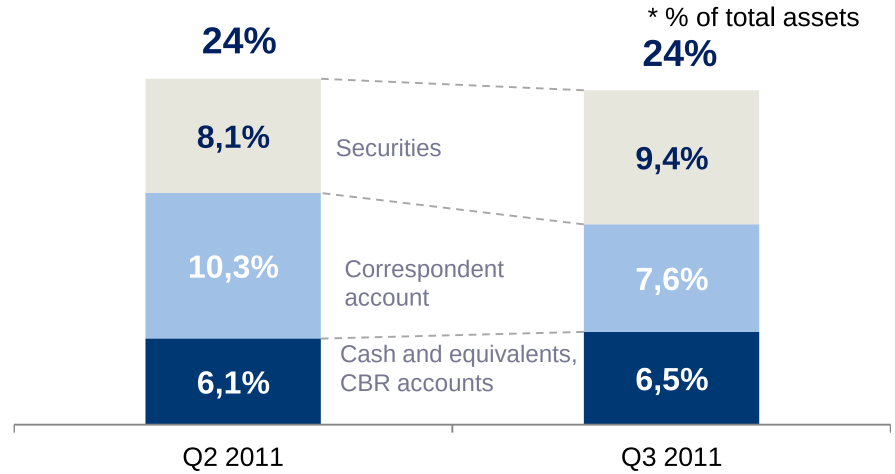
- **Bottom-line is gradually expanding for the 6th quarter in a row. Thus, net profit for Q3 2011 surged by 2.3 times YoY. Effective tax rate was 20%.**

Assets

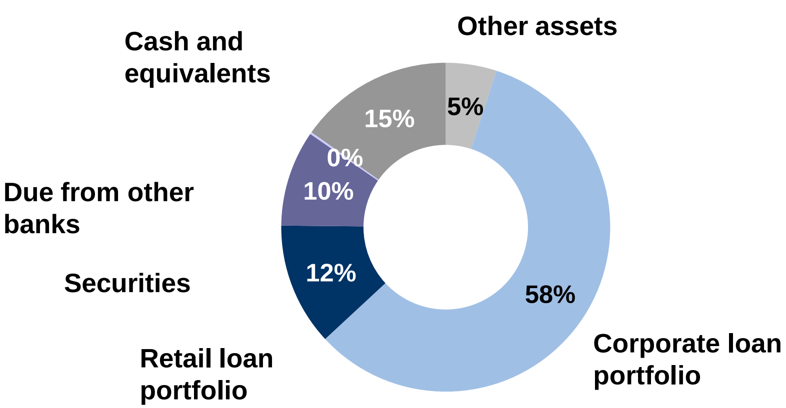
High-yielding balance sheet maintained…



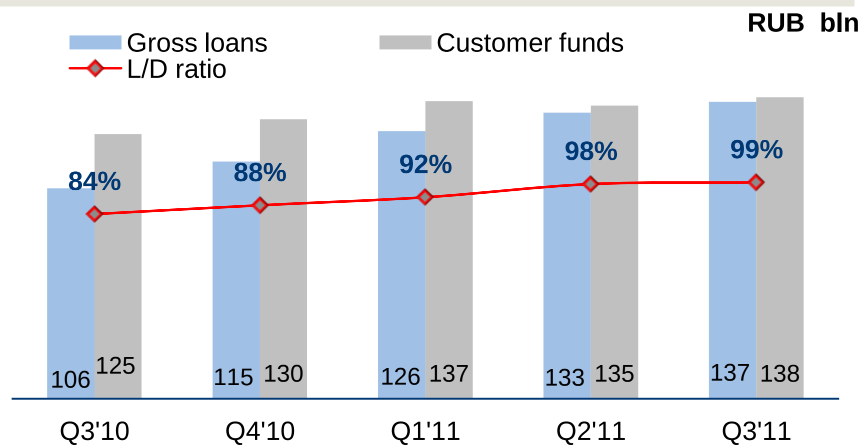
…with high share of liquid assets



IEA share increased to 80% of total assets

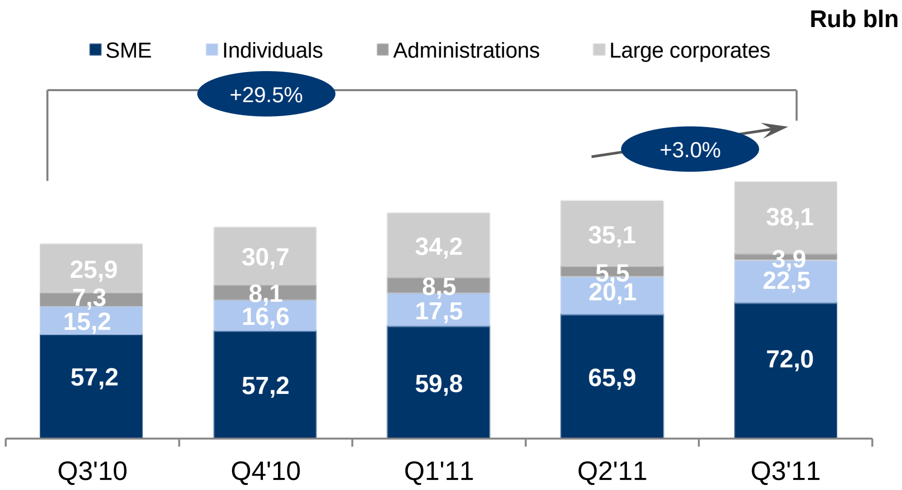


LTD ratio improving to optimal

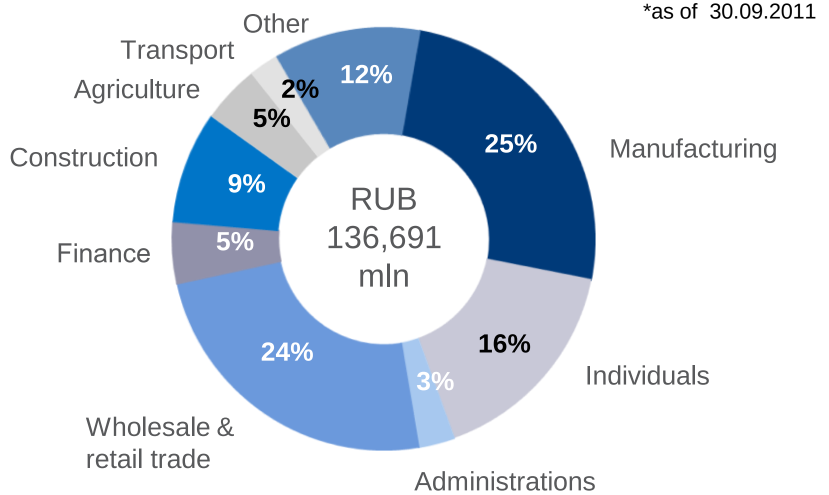


Loans

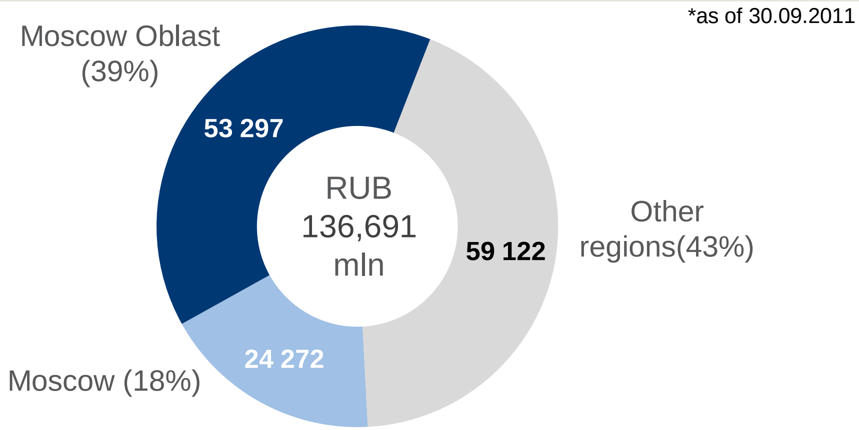
Portfolio growth in line with expectations



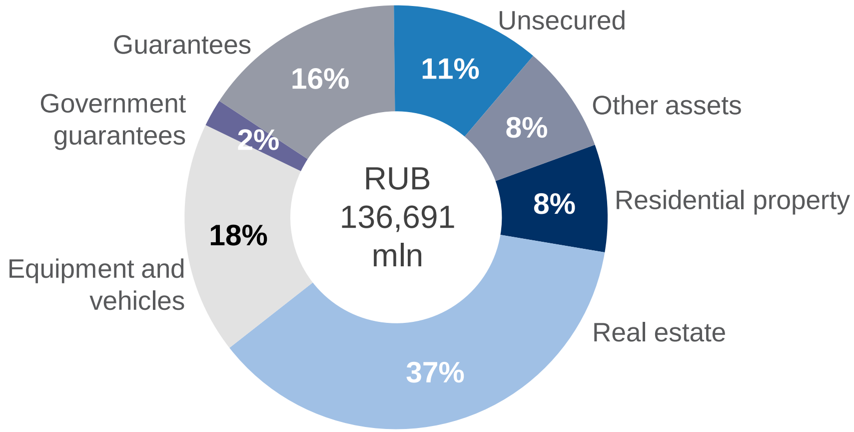
Breakdown by industry



Moscow oblast remains the key region

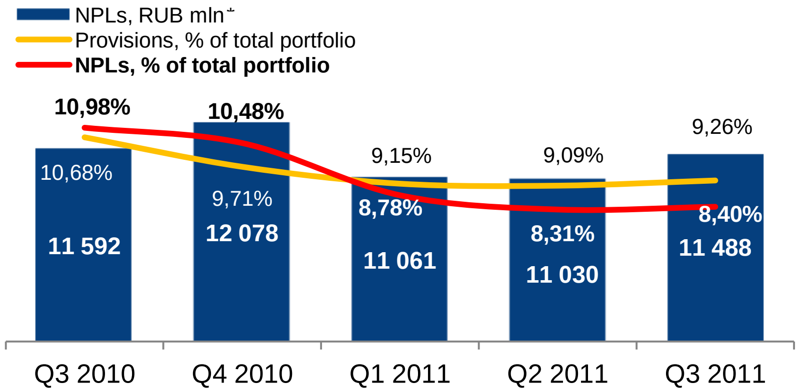


Conservative collateral policy



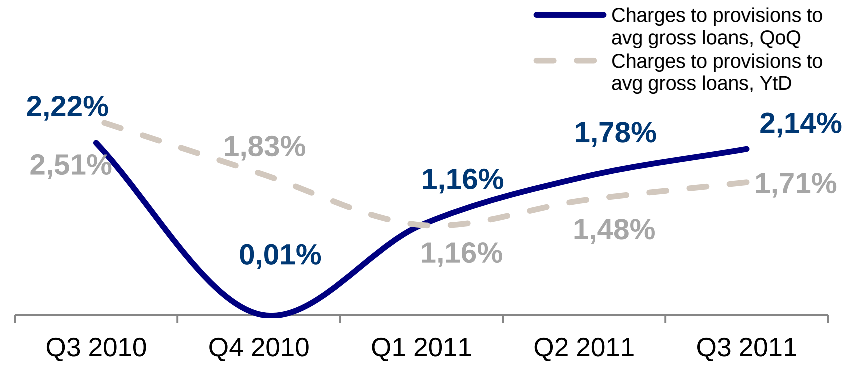
Credit quality management

NPLs dynamics



* NPL includes the whole principal of loans at least one day overdue either on principal or interest as well as not overdue loans with signs of impairment

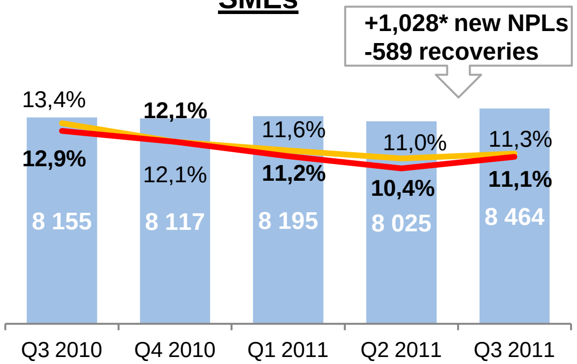
Annualized cost of risk



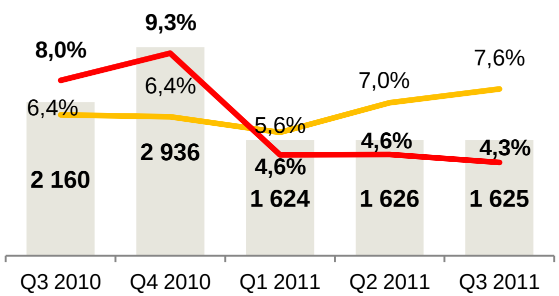
NPLs categorization: stabilized levels excluding one-off

RUB mln

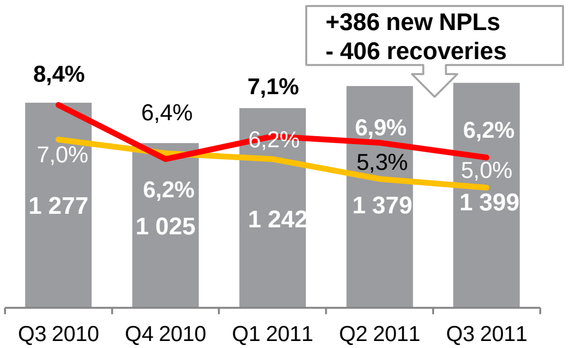
SMEs



Large corporate



Retail



NPLs, RUB mln — Provisions, % of total loans — **NPLs, % of total loans**

*including a one-off: one loan of 502 mln moved to impaired

Credit quality

as of 30.09.2011	Large corporate	SMEs	Mortgages	Other retail	Total	% of total loans
Gross loans, including	**38,134**	**76,107**	**13,639**	**8,811**	**136,691**	**100.0%**
Current loans	36,509	67,643	12,891	8,160	125,203	91.6%
Provisions	*(1,603)*	*(1,407)*	*(172)*	*(149)*	*(3,331)*	
Past-due but not impaired, of them	0	181	517	157	855	0.62%
Less than 90 days	-	170	486	138	794	0.58%
Over 90 days	-	11	31	19	61	0.04%
Provisions	*(0)*	*(4)*	*(91)*	*(22)*	*(117)*	
Impaired, of them	1,625	8,283	231	494	10,633	7.78%
Less than 90 days	775	1,122	1	34	1,932	1.41%
Over 90 days	850	7,161	230	460	8,701	6.37%
Provisions	*(1,304)*	*(7,222)*	*(229)*	*(455)*	*(9,210)*	
Total NPLs	**1,625**	**8,464**	**748**	**651**	**11,488**	**8.4%**
Provisions	***(2,907)***	***(8,633)***	***(492)***	***(626)***	***(12,658)***	**9.26%**
Net Loans	**35,227**	**67,474**	**13,147**	**8,185**	**124,033**	**-**

Provisions to NPLs Ratio
110%

Provisions to 90 days+ NPLs
144%

Rescheduled Loans
5.8%

NPL - the whole amount of loans with principal overdue for more than 1 day as well as loans with any delay in interest payments.

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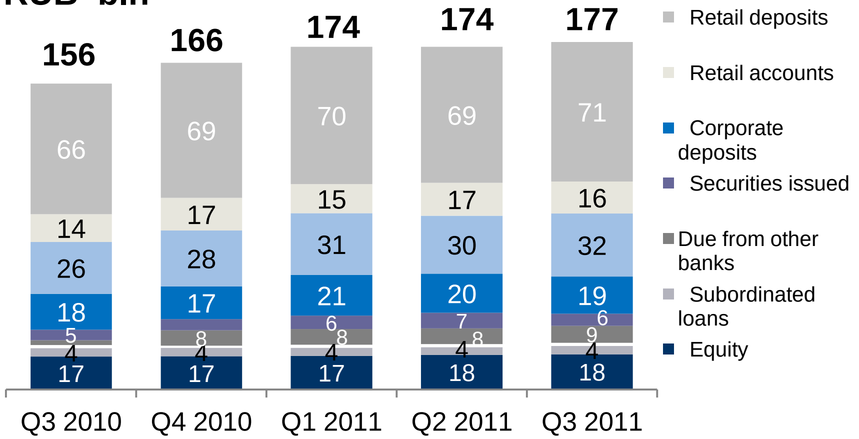
Liabilities and capital

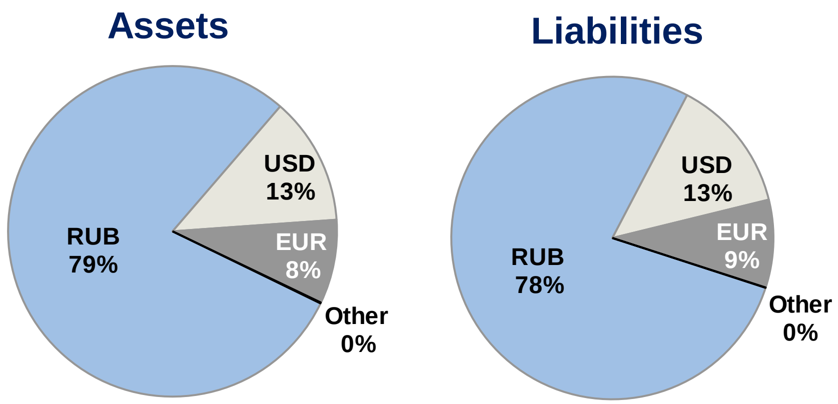
Stable funding base

RUB bln

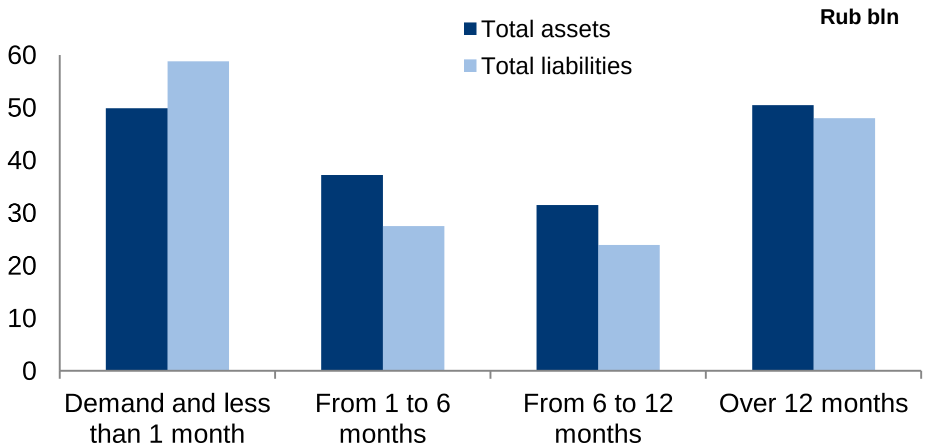


Moderate FX exposure

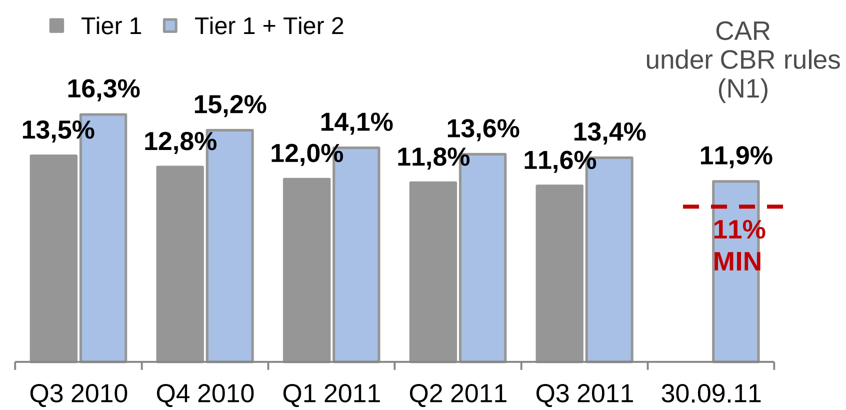
Data as of September 30, 2011



Maturity gap

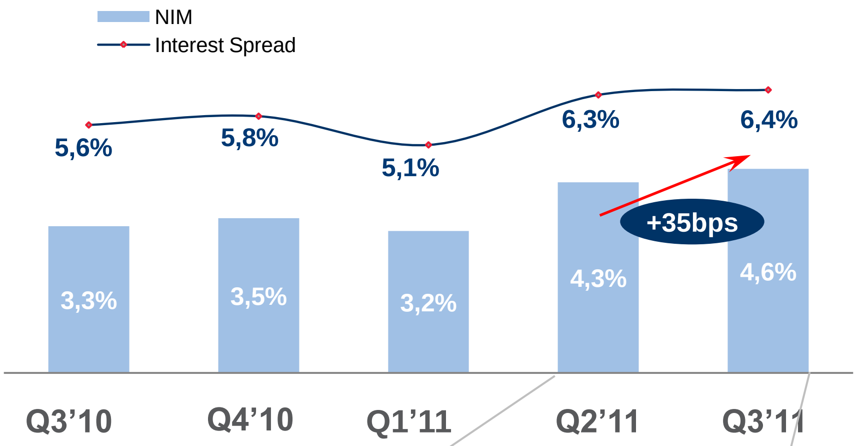


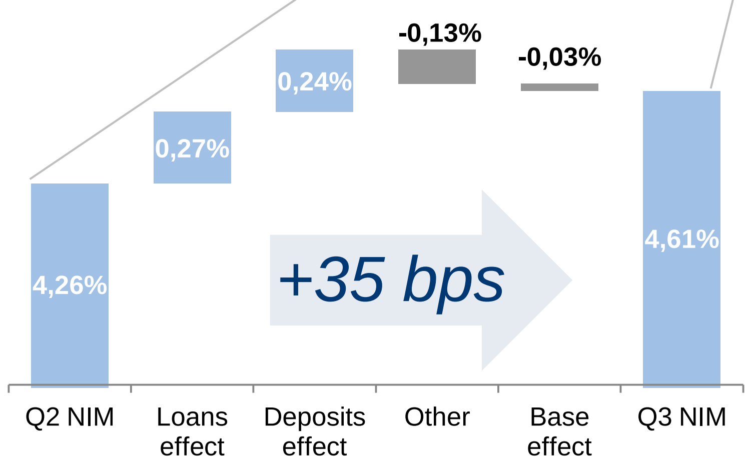
Capital position in line with requirements



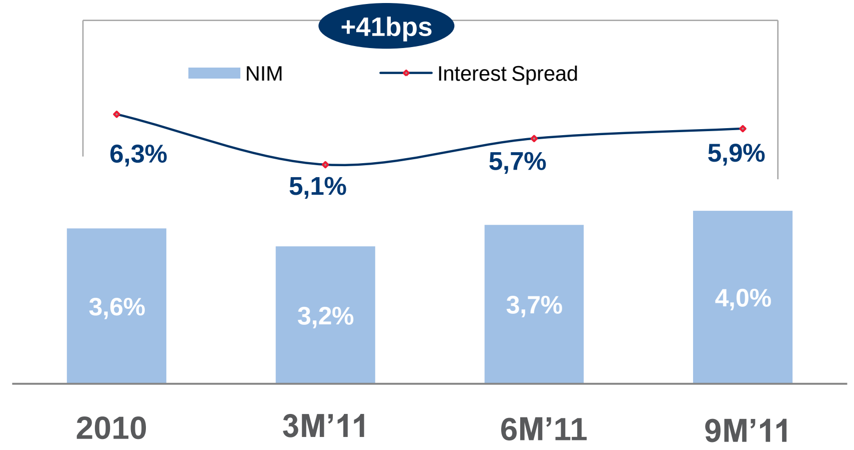
NIM development

NIM keeps recovering …

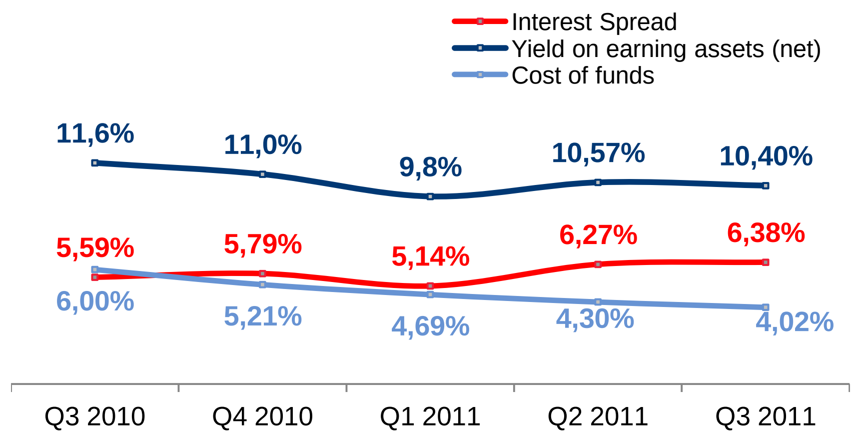




…supporting cumulative NIM dynamic

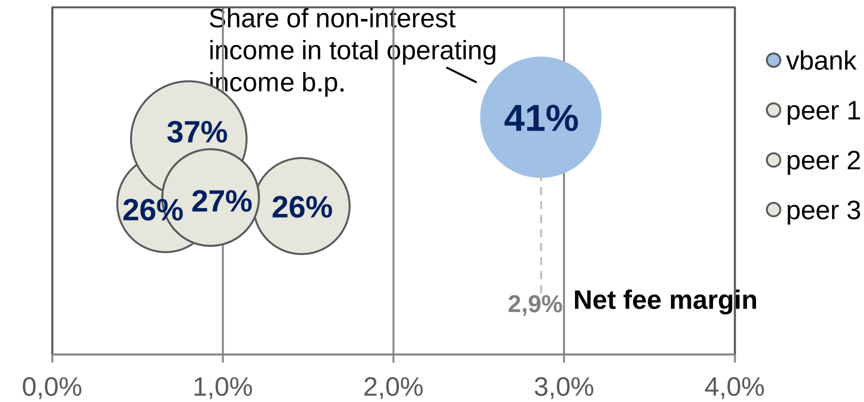


Spread is gradually expanding



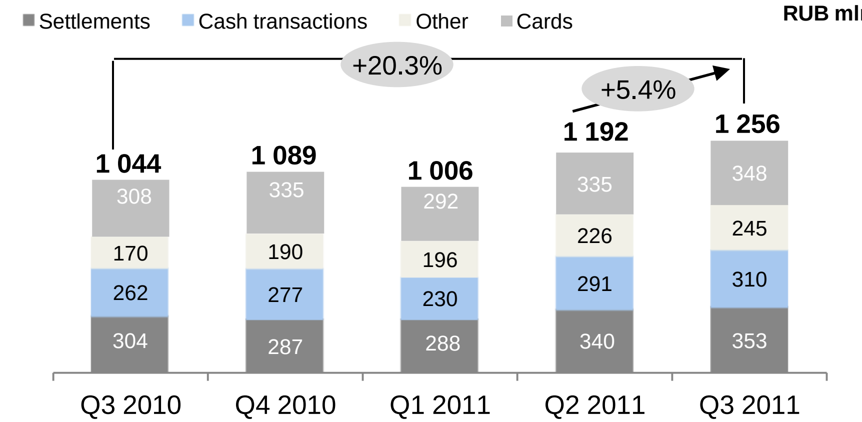
Fees and commissions

Strong non-interest income based on long-term relations with customers

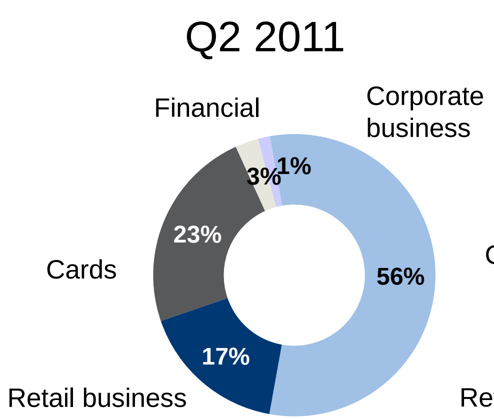


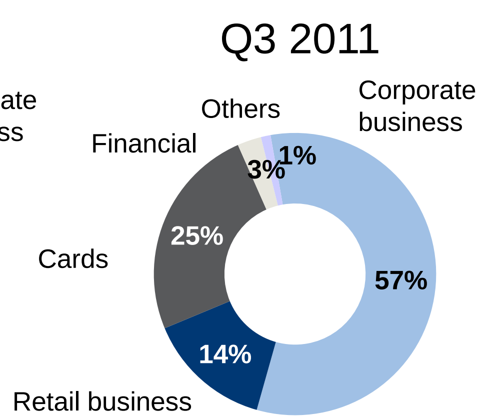
* Vbank data as of 3Q'11, Peer1, Peer2, Peer 3, Peer 4 – 2Q'11

Net fee income distribution



Non-interest income breakdown by segments





Key points

Vbank's share of net fee income in total operating income before provisions remained one of the highest among Russian banks and stood at 37% in Q3 2011 even on the back of healthy interest income.

Despite subdued business activity due to seasonality, in Q3 net fees and commissions demonstrated 5.4% growth mostly from settlements, card business and cash transactions. Fee margin improved to 2.9% which is also higher than for our peers.

Corporate business contributed 57% to fee income, banking cards business delivered 25% and 14% came from retail segment.

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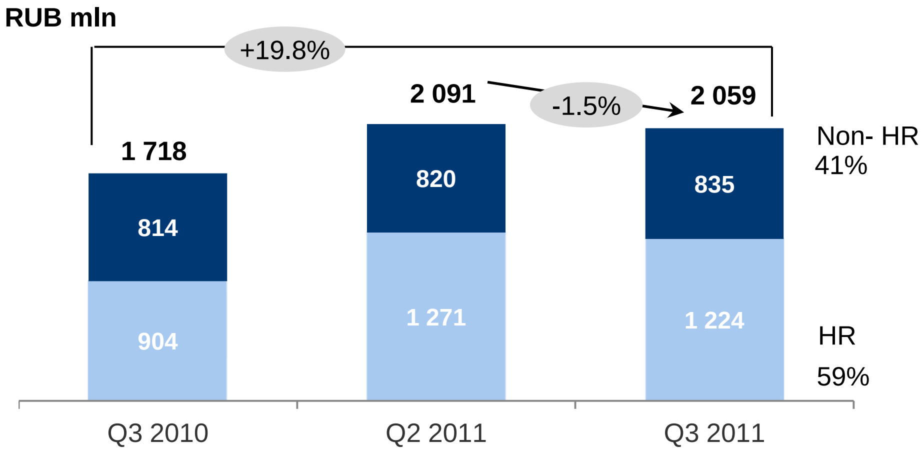
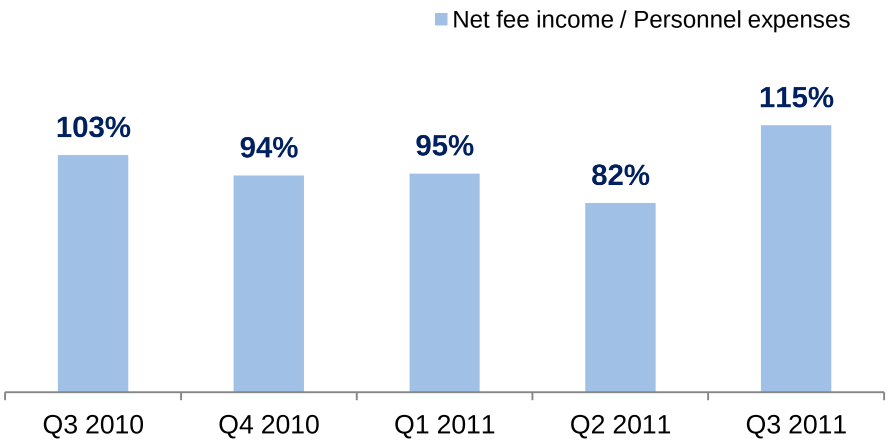
Costs

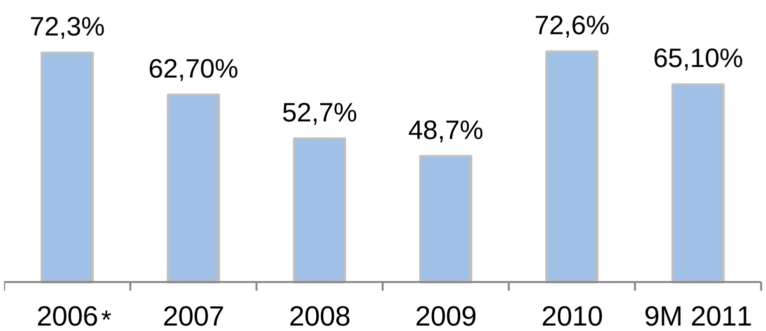
Operating expenses breakdown



Earned fees fully cover personnel expenses



Cost-to-Income ratio



*2006 - less extraordinary items

Costs summary

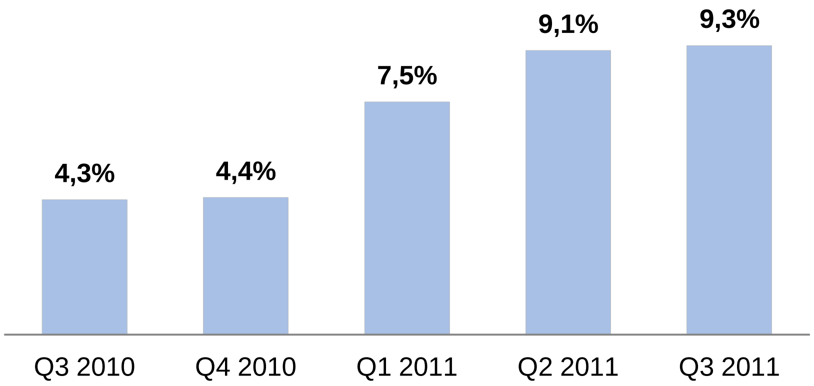
Operating expenses remained under control and declined by 1.5% in the third quarter. Administrative expenses were down by 4.9% due to implementation of several optimization measures.

Strong fee income fully covered all the personnel expenses in Q3 2011.

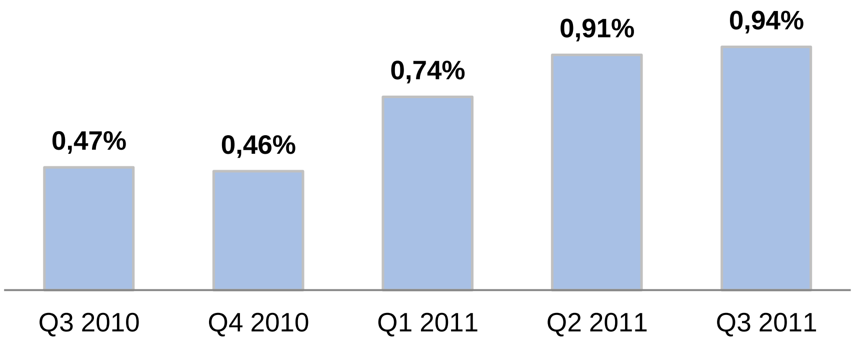
Cost to income ratio for 9M 2011 declined to 65.1% from 72.6% for FY 2010.

Earnings generation capability

ROE, %

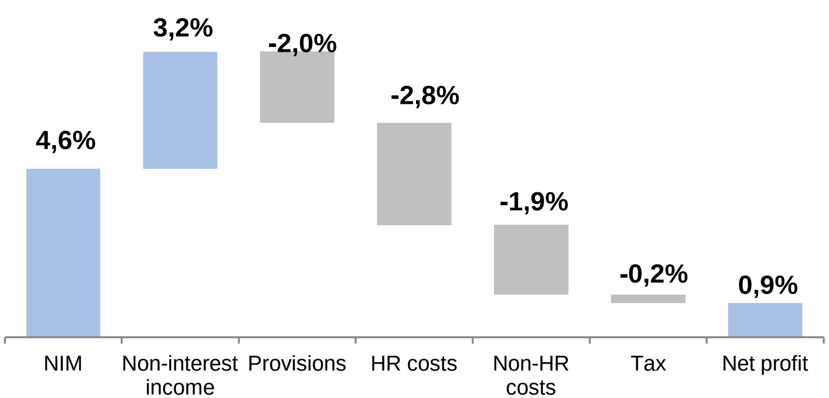


ROA, %



Value generation

* % of average assets



Key points

Value generation was gradually improving throughout the year. Our adherence to conservative policies defend us from negative impact of turbulent environment and provides base for bottom-line growth in the long-term perspective.

Profitability gradually improving with all components demonstrating resilience, our mid-term target for ROE remains 20%.

Questions and answers

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- economic outlook and industry trends;
- the Bank's anticipated capital expenditures and plans relating to expansion of the Bank's network and development of the new services;
- the Bank's expectations as to its position on the financial market and plans on development of the market segments within which the Bank operates;
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- risks related to Russian legislation, regulation and taxation;
- risks relating to the Bank's activity, including the achievement of the anticipated results, levels of profitability and growth, ability to create and meet demand for the Bank's services including their promotion, and the ability of the Bank to remain competitive.

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