



## Vozrozhdenie Bank reports 2006 IFRS Profit of \$30 million, up 61%

**Moscow, 29 March 2007.** Vozrozhdenie Bank (VZRZ) reported 2006 IFRS results today:

- Net Income of \$30.4 million, up from \$18.9 million
- Return on Equity (ROE) at 19% for a third year of strong returns
- Earning per share increased 53% to \$1.48 from \$0.97 the previous year
- Equity grew 84%, assets by 63%
- Market capitalization more than doubled to \$1.2 billion at the end of 2006

Strong growth of small and medium sized (SME) businesses and increase in income of the middle class, the main client segments of Vozrozhdenie's business, brought the Bank 15% faster growth in assets than the Russian banking system as a whole.

"We are pleased with our financial results which reflect our strong customer relationships," commented Mr. Orlov. "The strength of the Bank is in the solid relationships we have with our more than 40,000 commercial customers and one million individuals. This year Vozrozhdenie was the 6<sup>th</sup> most active bank in Russia in granting mortgages to individuals, a record that I'm very pleased with."

In 2006, Vozrozhdenie successfully issued a 10% increase of common shares through an open market placement to international and Russian professional fund managers. The Bank effectively employed the new capital to support the rapid expansion in products and services for SME business and individuals. In April 2007, the Bank will complete its 16<sup>th</sup> year as an independent bank.

IFRS Results	RUR (Millions)			USD (Millions)		
	2006	2005	2004	2006	2005	2004
Assets (year-end)	73,426	49,109	30,627	2,789	1,706	1,104
Average Assets	58,376	39,057	28,701	2,147	1,385	1,006
Equity (year-end)	5,509	3,273	2,604	209	114	94
Average Equity	4,192	2,938	2,382	154	102	86
Net Interest Income	3,484	2,111	2,054	132	73	74
Provisions	393	247	467	15	8	17
Non-Interest Income	2,386	1,880	1,272	91	65	46
Expenses	4,243	3,037	2,258	161	105	81
Disposal & Restructuring	-150	0	-94	-6	0	-3
Profit	1,084	707	507	41	25	19
Tax	283	163	46	11	6	2
Profit after tax	801	544	461	30	19	17
Earnings per share	39 r.	28 r.	22 r.	\$1.48	\$0.97	\$0.79
Return on Equity	19%	19%	19%			
Return on Assets	1.4%	1.4%	1.6%			

Assets increased by 63% to \$2,789 million (RUR 73,426 million) during the year. The Bank's assets, responding to rapidly growing use of banking services by SME businesses and the increasing use of credit by retail customers, grew 15% faster than the growth in the banking system. Vozrozhdenie Bank moved up two places to 23<sup>rd</sup> largest bank from 25<sup>th</sup> place by assets in "Interfax-100" Top Russian banks ranking.

Equity was up 84% to \$209 million (RUR 5,509 million) due to retention of earnings and the successful placement of 2 million shares in August 2006, a 10% increase in the number of shares outstanding. The new capital was employed to support SME business customers' development and retail loan growth. The

Bank has also leveraged its equity by raising debt capital in the form of subordinated loans. Tier 2 capital increased 121% to \$94 million (RUR 2,467 million). Investors' recognition of Vozrozhdenie's reputation, stability, financial performance and potential increased the Bank's market capitalization by more than 120% to \$1.2 billion by December 31, 2006.

Loans to customers increased by 86% to \$1,991 million (RUR 52,426 million). Retail lending programs, initiated in 2004, continued to grow rapidly, an annual rate of 200% for the last three years, and by year end comprised 17% of the loan portfolio, up from only 11% the previous year. Mortgages make up 44% of the retail loan portfolio, with excellent credit experience; at present the Bank has no past due or problem mortgage loans. The Bank's traditional strong support of commercial enterprises contributed more than 75% of the increase in our loan portfolio.

Loan portfolio quality continues to be very sound; the portion of past due loans has been maintained at a very low 1.7% of the total loan portfolio. The provision for possible losses was maintained at twice the level of past due or problem loans, a prudent 3.6% of the portfolio or \$74 million (RUR 1,954 million). Provisions for loan losses increased in line with loan growth.

Net Interest Income increased 80% to \$132 million (RUR 3,484) as loans and deposits grew rapidly. Margins were up slightly due to good deposit inflows at competitive rates and increasing transaction account balances from individual and commercial customers. Demand for credit from individual customers also helped to support margins as the proportion of retail loans, especially mortgages, became a larger part of total loans.

Operating income grew 60% to \$203 million (RUR 5,359 million). The Bank's non-interest income, primarily from card products and transactions, grew strongly as individuals and SME businesses use banking services more frequently. Non-interest income remained at a very high 43% of operating income. Net fees and commissions increased 57% providing a strong and stable base for the Bank's future earnings

Operating expenses were up 53%, to \$ 161 million (RUR 4,243 million), slower than the growth in assets and less than the growth in either interest income or fees and commissions. The Bank has expanded its delivery network of branches and ATMs in order to make services more accessible to SME and individual clients. Implementing the technology required to support present and future expansion has required significant investment. The Bank has 5,767 employees, a 13% increase from the previous year, as we are in the process of implemented the new core technology and have increased monitoring to ensure anti-money laundering practices are effective, as well as expanding the branch network.

Pre-tax income in 2006 increased 68% to \$41 million (RUR 1,084 million). The tax rate under IFRS increased slightly due non-deductibility of some expenses under Russian taxation. As a result taxes increased 74% to \$11 million (283 million rubles) compared to \$6 million in 2005. Profits increased 61% to \$30 million (RUR 801 million) from \$19 million (RUR 544 million). In ruble terms the increase was 47%.

Vozrozhdenie Bank is a community bank for business and individuals. Today the Bank serves more than 40,000 corporate clients and provides payroll services to 3,300 clients, processing direct payment of monthly salaries to over 800,000 individuals. In total the Bank now has more than one million customers. The Bank remains the 10<sup>th</sup> largest Russian bank by the volume of deposits from individuals and is now the 6<sup>th</sup> largest issuer by number of residential mortgages.

The Bank's full IFSR report is available at: [www.vbank.ru/en/](http://www.vbank.ru/en/).

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