

## Vozrozhdenie Bank 2007 IFRS Profit of 1.9 billion roubles, up 138%

**Moscow 31 March 2008.** Vozrozhdenie Bank (VZRZ) reported 2007 IFRS results today:

- Net Income of RUB 1.9 billion (\$77.6 million), up from 801 million (\$30.4 million)
- Return on Equity (ROE) at 21.0% for a fourth year of strong returns
- Earning per share increased 105% to RUB 80 from RUB 39 the previous year
- Equity grew 116%, assets by 52%
- Bank recognized for transparency and good governance

“We are pleased with our financial results net income of 1.9 Billion, more than double last year. This improvement in business reflects our strong relationships with customers who choose Bank Vozrozhdenie for its trustworthiness and high quality of services. We are glad to support them and help develop their potential,” commented Dmitri Orlov, President of the Bank, about the annual results. “Deposits and transaction accounts from these customers provide stable funding in these uncertain times. I’m very pleased that Vozrozhdenie is now the 8<sup>th</sup> most active bank in Russia in terms of individual deposits.”

The strong business results for a fourth year confirm the success of our long-term strategy and the professionalism of our management. A prudent approach to business development, close relations and true partnership with our clients provides a solid base of funding and revenue from services as well as lending. Careful attention to funding and strong liquidity has contributed to the Bank’s good financial performance in the uncertain world market conditions during the second half of the year. The bank rolled over its only maturing capital market debt, a \$50 million syndicated loan, as planned on March 19 2008 and has no other capital markets debt maturing in 2008.

In 2007, Vozrozhdenie successfully completed its 20<sup>th</sup> share issue, a 13% 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 and generated a return on equity of more than 20%. In the past year Vozrozhdenie has been increasingly recognized for its transparency and good governance.

IFRS Results	RUB (Millions)			USD (Millions)		
	2007	2006	2005	2007	2006	2005
Assets (year-end)	111,404	73,426	49,109	4539	2,789	1,706
Average Assets	91,774	58,376	39,054	3,603	2,147	1,385
Equity (year-end)	11,890	5,509	3,273	484	209	114
Average Equity	9,086	4,192	2,938	358	154	102
Net Interest Income	5,570	3,484	2,111	227	132	73
Provisions	885	393	247	36	15	8
Non-Interest Income	3,577	2,386	1,880	146	86	65
Expenses	5,732	4,243	3,037	234	157	105
Disposal & Restructuring	0	-150	0	0	-5	0
Profit before tax	2,530	1,084	707	103	41	25
Tax	626	283	163	26	11	6
Net Profit	1,904	801	544	78	30	19
Earnings per share	80r.	39 r.	28 r.	3.26	1.48	0.97
Return on Equity	21%	19%	19%			
Return on Assets	2.1%	1.4%	1.4%			



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Assets increased by 52% to RUB 111.4 billion (\$4.5 billion) during the year. The growth in the Bank's assets was funded primarily by growth in customers' funds on deposit and in their transaction accounts. Vozrozhdenie is ranked 8th largest Russian bank in terms of individual deposits. However, the bank also accessed capital markets to raise RUB 3 Billion in the domestic bond market and \$103 million in syndicated loans from international banks to support trade transactions of its clients. The loan to deposit ratio at the end of the year was a very conservative 96% and the Bank retained a significant proportion of liquid assets in Russian government securities.

Equity more than doubled to RUB 11.9 billion (\$484 million) by retained earnings and a successful placement of 3 million ordinary shares in May 2007. The new capital was employed to support SME business customers' development and retail loan growth. The Bank's capital adequacy, Tier 1 and 2 was 15.9%, measured by International standards.

Loans to customers increased by 49% to RUB 78.1 billion (\$3.2 billion). Retail lending programs, now in their fourth year, continued to grow rapidly, 87% and by year end comprised 21% of the loan portfolio, up from 17% the previous year. Mortgages make up 53% of the retail loan portfolio, with very good credit experience. The Bank's traditional strong support of commercial enterprises contributed more than 71% of the increase in our loan portfolio.

Loan portfolio quality continues to be very sound; the portion of impaired loans remained at 0.6% unchanged from the previous year end. Unimpaired but past due loans are an additional 1.9%, but these are generally collected over time. The provision for possible losses exceeded the level of past due and impaired loans, and was a prudent 3.5% of the total portfolio or RUB 2.8 billion. Provisions for loan losses increased in line with loan growth.

Net Interest Income increased 60% to RUB 5.6 billion 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. Although very liquid markets in the first half of the year brought pressure on margins, during the second half rates increased on both loans and deposits with a slight widening effect on margins.

Non-interest income grew 58% to RUB 3.6 billion. Revenue from card products and transaction services grew strongly as individuals and SME businesses used banking services more frequently. Non-interest income contributed 43% of operating income.

Operating expenses were up 35%, to RUB 5.7 billion, 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 by 21 new sales outlets and 80 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 5,752 employees, a 13% increase from the previous year, with the largest effect being from the network expansion.

Pre-tax income in 2007 increased 133% to RUB 2.5 billion. Taxes paid by the bank on its net income increased 121% to RUB 626 million rubles compared to RUB 283 million in 2006. Profits increased 138% to RUB 1,904 million from RUB 801 million. In dollar terms the increase was 155% to \$77.6 million.

The Bank's full IFSR report is available at:

[http://www.vbank.ru/en/reports/statements\\_2/ifrs\\_audited\\_2/](http://www.vbank.ru/en/reports/statements_2/ifrs_audited_2/)

*Vozrozhdenie Bank, a community bank for companies and individuals, was founded in 1991. (General License from the Central Bank of the Russian Federation # 1439, March 24, 2003.) Among the Top 30 Russian Banks in the Central Banks rating, its network includes 170 offices and 560ATMs in 20 regions of Russia. The Bank provides more than 1,150,000 individual and 49,000 corporate clients with a range of services, from savings accounts, payment handling, payroll management, to mortgages, bank cards and business and consumer loans.*

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