

Vozrozhdenie Bank 2008 IFRS Profit of 3,137 million rubles, changed by 65% comparing to 2007 result.

Moscow March 31, 2009. Vozrozhdenie Bank (VZRZ) published its 2008 IFRS results with key figures as follows:

- Net Income: 3,137 million rubles (\$107 million), up 65% comparing to 2007
- Cost to income before provisions: 52.7% down from 62.7% in 2007
- Return on Equity (ROE): 23.3% above 2007 average of 21%
- Earning per share: 125 rubles up from 80 over the same period of 2007
- Assets: up 27% in the last 12months

“By the end of 2008 we built up a “fortress” balance sheet which allows us to be well-prepared for all possible future negative developments. We ensured good returns for our shareholders carefully managing interest rates and keeping expenses under strict control,” said Dmitry Orlov, the Chairman of the Bank Management Board. “The Bank continues to support its clients by providing daily services of high quality and keeping on lending to SMEs. We are sure that our partner relations will help us to go through these difficult times together and successfully develop our business in the future“.

Assets grew by 27% to 141.2 billion rubles (\$4.8 billion) in the past twelve months. Having noticed early signs of the world financial crisis the bank planned the assets growth in 2008 at a moderate conservative level of 25%. In the mid of the year we got additional funding from our corporate clients and enjoyed more rapid growth of assets. Since the crises hit the Russian economy in September 2008 the assets growth slowed down. In Q4, 2008 assets grew only by 3%. Customers’ funds on deposit and transaction accounts continued to be our major source of funding notwithstanding the fact that since October 2008 the bank used state support facilities. Loan to deposit ratio reached 110%. Since September 2008 the bank had to use its liquid assets to fulfil its obligations on clients operations. But closer to the year end we again managed to accumulate significant liquidity cushion exceeding 39 billion rubles (\$1.3 billion). As a result liquid assets were up 46% from a year ago and accounted for 28% of the total assets.

Equity rose by 27% since December 31, 2007 to 15.1 billion rubles (\$513 million). The Bank’s Tier 1 capital adequacy ratio was 12.7% and combined Tier 1 and 2 stood at 16.5%. The increase in Tier 1 & 2 capital adequacy ratio resulted from net profit earned during the year and new subordinated loan received from German and Dutch development institutions DEG and FMO at the end of July.

Net loans to customers expanded by 21% since the beginning of the year to 94.6 billion rubles (\$3.2 billion). In Q4 in order to accumulate liquidity the bank reduced the loan portfolio by 7%. The bank’s loans to corporate clients are well diversified in terms of sectors (the largest single sector exposure is 26%, which refers to wholesale and retail trade) and regions and represent 81% of the total loan portfolio. Retail lending accounts for 19% of total loans, with mortgages being slightly less than half of the retail loan portfolio.

Loan portfolio quality remains at comfortable level. Notwithstanding significant deterioration in macroeconomic environment the portion of past due loans has changed by less than 100 basis points from 2.34% to 3.41% over the last quarter. According to IFRS the Bank records as past due loans the whole principal of all retail and commercial loans more than one day past due. In Q4 the bank has tightened loan standards and reassessed the most part of the collateral. The impaired loans, on which some loss of principal is expected, account for 2.16% of the total loan portfolio.

During the year the Bank added over 2.2 billion rubles to provisions for loan impairment. The most part (1.2 billion rubles) was charged in Q4. The total provisions as of December 31, 2008 amounted to 4.8 billion rubles or 4.8% of the total loan portfolio. Thus the NPL coverage ratio stayed relatively the same level 1.41.

Net Interest Income increased by 52% comparing to the year ago to 8.5 billion rubles partially due to the rise in lending interest rates which took place closer to the end of the year. Due to the worsening economic environment some portion of retail time deposits was recalled before maturity that allowed bank to pay lower interest rate based on the actual term of the deposit. As a result in Q4 Interest expenses grew by 7% versus 12% increase in interest income. A big share of customer funds (37%) that are held on current accounts with “on demand” interest rates continues to be a good support for our low funding costs which amounted to 5.3% comparing to the yield on the interest-earning assets of 13.9%.

Non-interest income grew by 35% to 4.8 billion rubles. Net fees and commissions account for 85% of the net non-interest income or 4.1 billion rubles. Huge volatility on FX market that we saw throughout the year gave good opportunity to earn more than 600 million rubles income primarily on the back of FX operations for our clients. Non-interest income contributed 36% to operating income before provisions. Servicing day-to-day operation of our clients i.e. providing corporate settlement services, payrolls services, supporting cash payments of retail clients, servicing their bank cards etc. ensure a solid base for non-interest income that does not depend on the size of the bank’s balance sheet.

Operating expenses were up by 23%, to 7.0 billion rubles, and this growth was much lower than that in revenues. Apart from the fast growth in operating revenue the tight control over the expenses made under the financial plan guidelines allowed us to reduce cost-to-income ratio before provisions to 52.7% versus 62.7% a year ago. Sales offices network development slowed down in the second half of the year. However in 2008 we have opened 10 new outlets and added 93 new ATMs while closed 3 least efficient ones. New core accounting platform implementation comes closer to completion and should be finalized in 2009.

Pre-tax income increased by 62% compared to 2007 to 4,102 million rubles. Profit after tax rose by 65% to 3,137 million from 1,904 million for the last year. In dollar terms the net income grew by 38% to \$107 million.

The Bank's full IFSR report is available at:

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 176 offices and over 640 ATMs in 20 regions of Russia. The Bank provides more than 1,300,000 individual and 55,000 corporate clients with a broad range of services, from savings accounts, payment handling, payroll management, to mortgages, bank cards and business and consumer loans.

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