

Vozrozhdenie Bank 9M 2008 IFRS Profit of 2,525 million rubles, more than double 2007

Moscow November 25, 2008. Vozrozhdenie Bank (VZRZ) published nine months 2008 IFRS results with key figures as follows:

- Net Income: 2,525 million rubles (\$100 million), up 108%
- Return on Equity (ROE): 25.8% above 2007 average of 21%
- Earning per share: 100 rubles up from 55 over the same period of 2007
- Assets: up 37% in the last 12 months and 23% since January 1, 2008
- Cost to income before provisions: 53.9% down from 62.7% in 2007

“In spite of significant recent changes in the macroeconomic environment, the bank continues to produce good financial results,” said Tatiana Gavrilkina, Deputy Chairwoman and CFO of the Bank. “Strong customer relationship, solid reputation and clear sound strategy again proved to be key elements for earning excellent profit and increasing shareholders value even when the assets growth slows down.”

“Significant liquid cushion accumulated since the beginning of the year allowed us to withstand rather difficult situation in the market in September and October,” said Andrey Shalimov, Head of Treasury, “No doubt, resources provided by the Bank of Russia to the banking system give a strong support of banks at present. But we believe that in the long run we will continue to develop our business on the back of the domestic resources from our corporate and retail customers.”

Assets grew by 37% to 137.1 billion rubles (\$5.4 billion) in the past twelve months. The growth in the Bank’s assets still was funded primarily by customers’ funds on their deposit and transaction accounts. The loan to deposit ratio at the end of the quarter was equal to 99%. In the third quarter the Bank used a part of liquid assets to fulfill its obligations on clients operations. Thus liquid assets were up 38% from a year ago and accounted for 13% of the total assets.

Equity rose by 29% since September 30, 2007 to 14.4 billion rubles (\$570 million). The Bank’s Tier 1 capital adequacy was 11.7% and combined Tier 1 and 2 was 15.5%. The increase in Tier 1 & 2 capital adequacy ration resulted from new subordinated loan received from German and Dutch development institutions DEG and FMO at the end of July.

Loans to customers expanded by 32% since the beginning of the year to 103.2 billion rubles (\$4.1 billion). Retail lending accounts for 19% of the loan portfolio, with mortgages being slightly less than half of the retail loan portfolio. The Bank’s loans to corporate clients are well diversified in terms of sectors and regions and account for 81% of the total loan portfolio. Loans to SMEs represent 65% of the corporate loans.

Loan portfolio quality remains at a very good level; the portion of past due loans has changed only slightly to 2.34% from 2.31% over the last quarter. Overdue loans are tightly controlled and include all retail or commercial loans more than one day past due. The impaired loans, on which some loss of principal is expected, account for only 0.9%. During 9 months this year the Bank assigned 981 million rubles more to the provisions for loan losses. The total provisions amounted to 3.7 billion rubles or 3.5% of the total loan portfolio. Thus the NPL coverage ration stepped up to 1.49.

Net Interest Income increased 51% comparing to the similar period of 2007 to 5.9 billion rubles due to growth in lending volumes and positive effect of the gap on interest rate sensitive financial instruments in the environment of growing interest rates. Notwithstanding worsening market conditions the portion of retail time deposits recalled before maturity was very small. In addition a good support of interest earnings also comes from a big share of customer funds (38%) that are held in non-interest bearing current accounts.



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Non-interest income grew by 40% to 3.4 billion rubles. Fees and commissions account for 87% of the total non-interest income or 2.9 billion rubles. Revaluation of foreign currency and trading securities portfolio caused some losses in the amount of 132 million rubles or 1.6% of the operating income. Non-interest income contributed 36% of operating income before provisions. Corporate payment transactions, payrolls services, retail clients' transactions and bank card operations provide a solid base for non-interest income. We are quite positive regarding the prospects of keeping a very good share of such income in total revenues.

Operating expenses were up 26%, to 5.0 billion rubles, and this growth was much lower than growth in assets and revenues. The Bank continued to improve its sales network: in the third quarter it opened 2 new outlets and added 25 new ATMs in order to make services more accessible to SME and individual clients. New core accounting system implementation to facilitate improvement in business efficiency continues as planned. The Bank's staff totals 6,320 employees, a 12% increase from the previous year.

Pre-tax income increased 106% compared to the 9M of 2007 to 3,299 million rubles. Profit after tax rose 108% to 2,525 million from 1,216 million in the same period last year. In dollar terms the income grew 105% to \$100 million.

The Bank's full IFSR report is available at:

http://www.vbank.ru/en/reports/statements_2/ifrs_interim_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 630 ATMs in 20 regions of Russia. The Bank provides more than 1,250,000 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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