



**VOZROZHDENIE  
BANK**

THE BANK THAT IS ALWAYS WITH YOU

# Bank Vozrozhdenie Gradual recovery is underway



**ING 13<sup>th</sup> Annual EMEA Forum**  
November 29 – December 3, 2010

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# Agenda

**Business model**

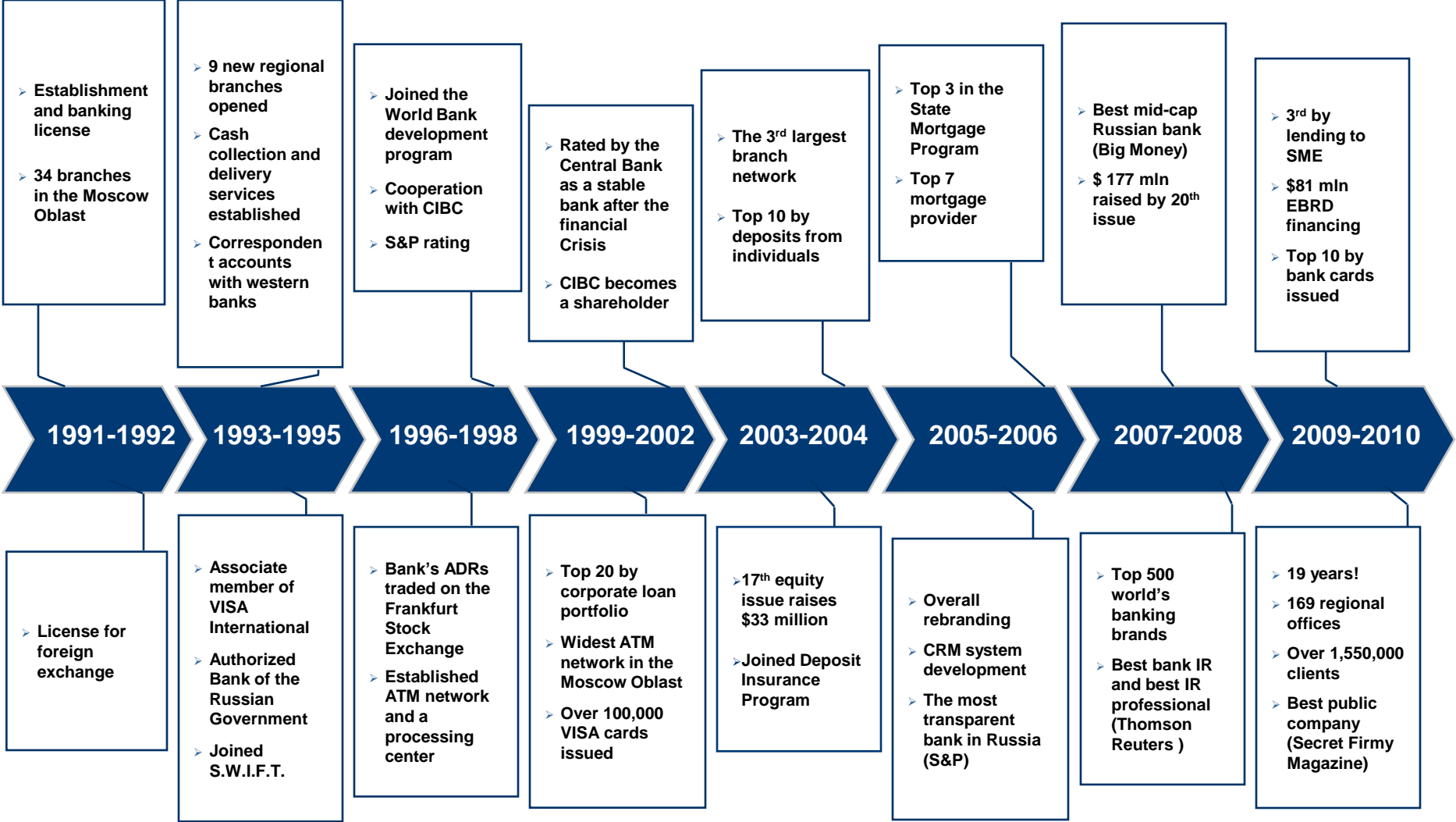
**Business overview**

**Recent IFRS results**

**Investment summary**



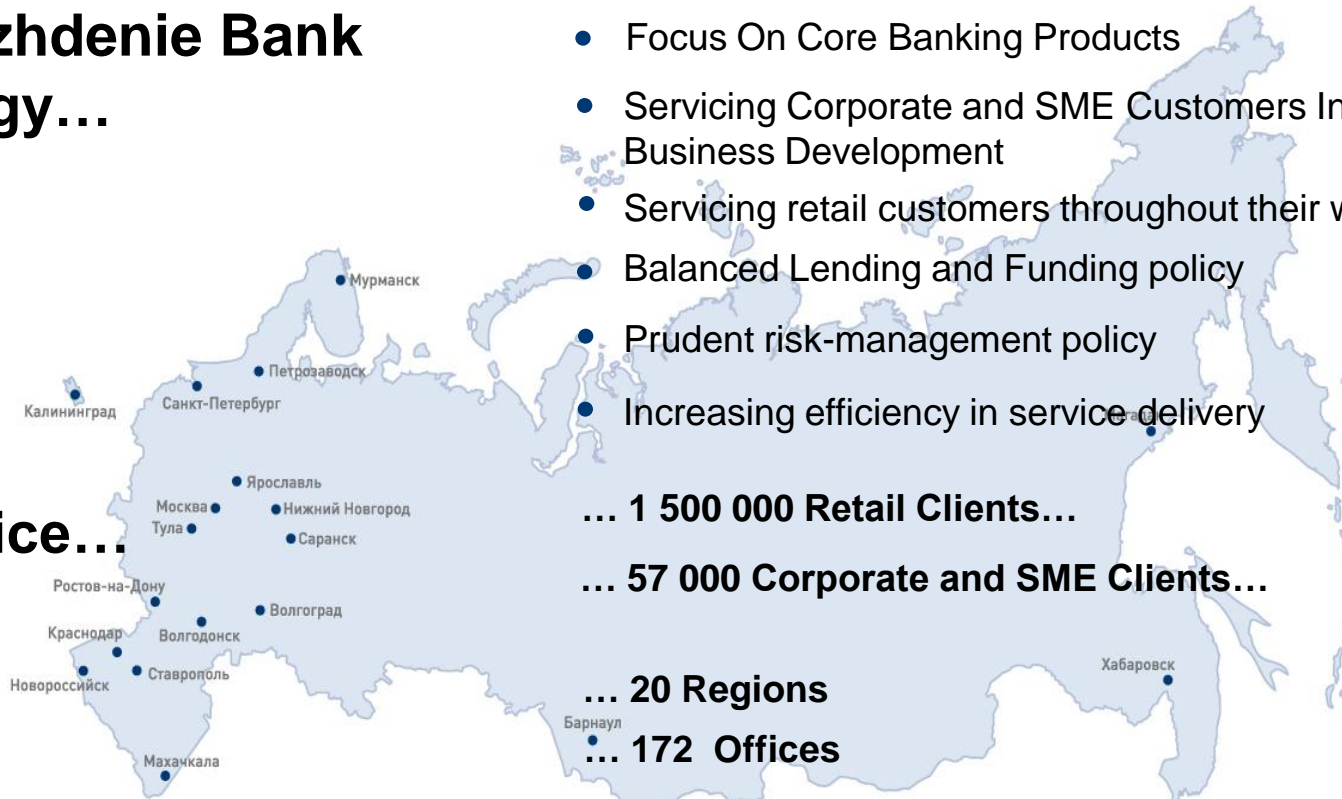
# Over 19 years of successful development.



# Vozrozhdenie Bank - a Community Bank built on strong relationships with SMEs and individual customers

## Vozrozhdenie Bank strategy...

- Focus On Core Banking Products
- Servicing Corporate and SME Customers In Each Stage Of Business Development
- Servicing retail customers throughout their whole life-cycle
- Balanced Lending and Funding policy
- Prudent risk-management policy
- Increasing efficiency in service delivery



...service...

...via...

... 1 500 000 Retail Clients...

... 57 000 Corporate and SME Clients...

... 20 Regions

... 172 Offices

... 721 ATMs

... 6 136 employees



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# Distribution network

As of 01.11.2010



Moscow Oblast is a home territory with historically strong market position

Branches	Sub branches	Retail offices	Total
<b>37</b>	<b>39</b>	<b>33</b>	<b>109</b>



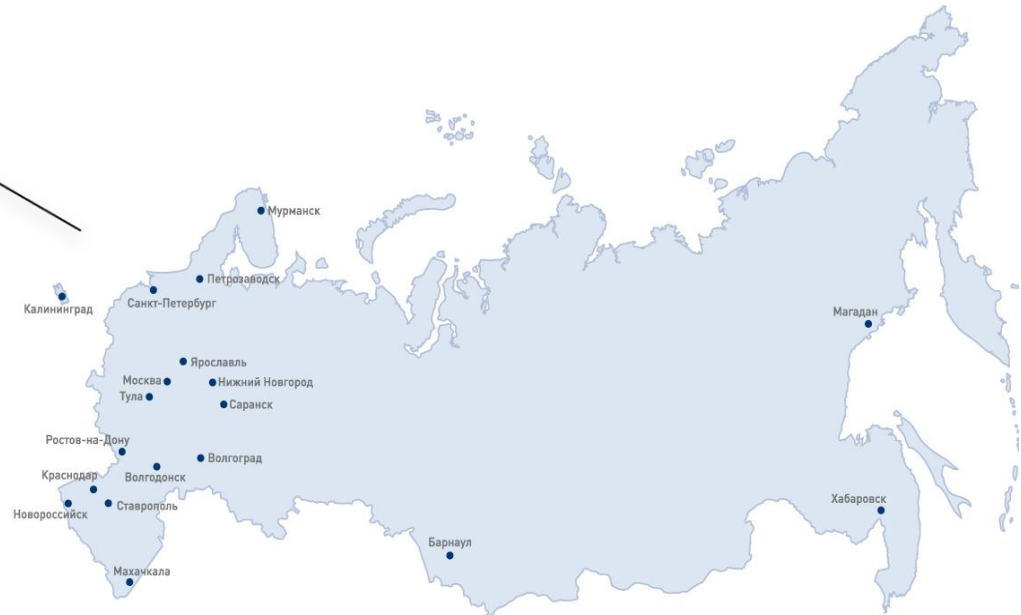
**446 ATMs – every town is under coverage**

Twenty regions of presence. Focus on the most attractive South and North-West

Branches	Sub branches	Retail offices	Representative offices	Total
<b>18</b>	<b>38</b>	<b>6</b>	<b>1</b>	<b>63</b>



**275 ATMs**



# Basic information & position in Russian banking system

## Key Figures, RUB

Assets	146,967 mln
Loans	91,780 mln
Customer Funds	118,075 mln
Net Income	121 mln
Shareholders equity	16,466 mln
Retail Clients	1,500,000
Corporate Clients	57,000
Headcount	6,136
Offices	172
ATMs	721

## Rankings\*\*

Net Assets	27
Loans to SMEs	4
Volume of retail deposits	12
Corporate loans	21
Bank cards emitted	10
Branches/ ATMs	19/18

\*\* RBC most recent rankings

# Market recognition

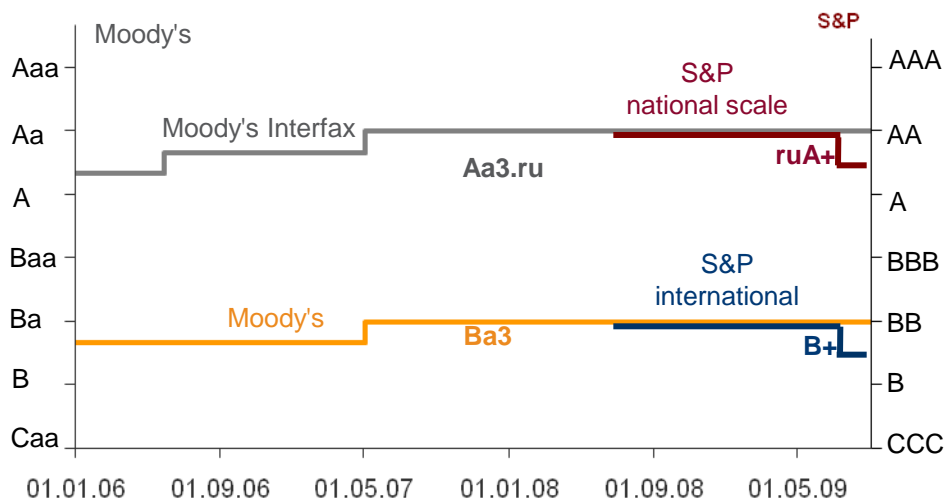
## Credit ratings

Moody's

Ba3/D-/NP, stable

Standard&Poor's

B+/ruA+, positive



## Listing

Included in indexes

MICEX Financial Index, RTS

Listing

A2 MICEX

## High recognition of brand

### IPSOS survey

85% of respondents in our regions know us



### TNS loyalty survey

Loyalty index equals top 10% of major International banks

94% of our clients are ready to recommend us



### BrandFinance Banking 500 survey

V-bank ranks 363 among world's most valuable banking brands with brand value of \$212 million

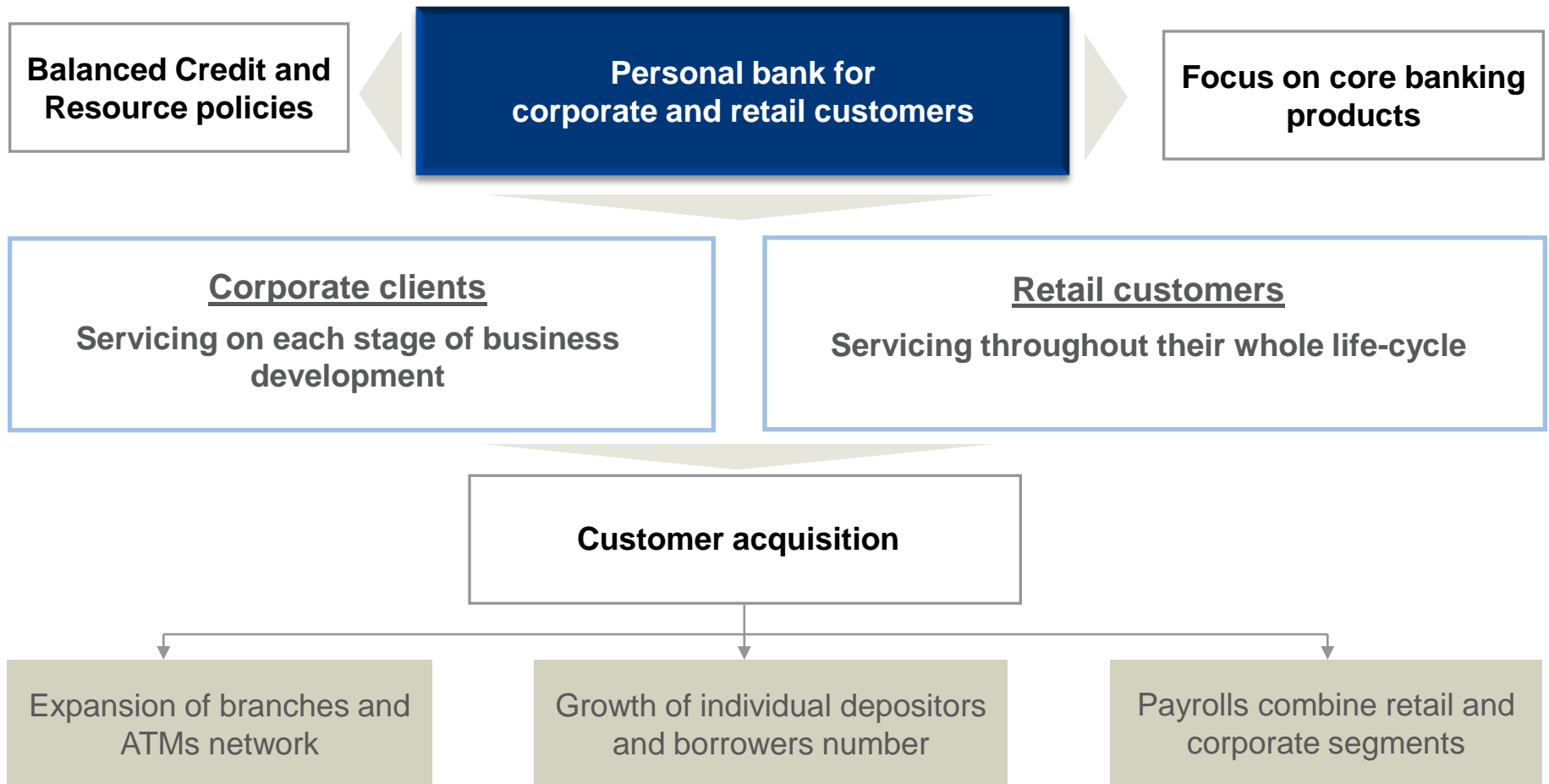


# Business model



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# Market strategy

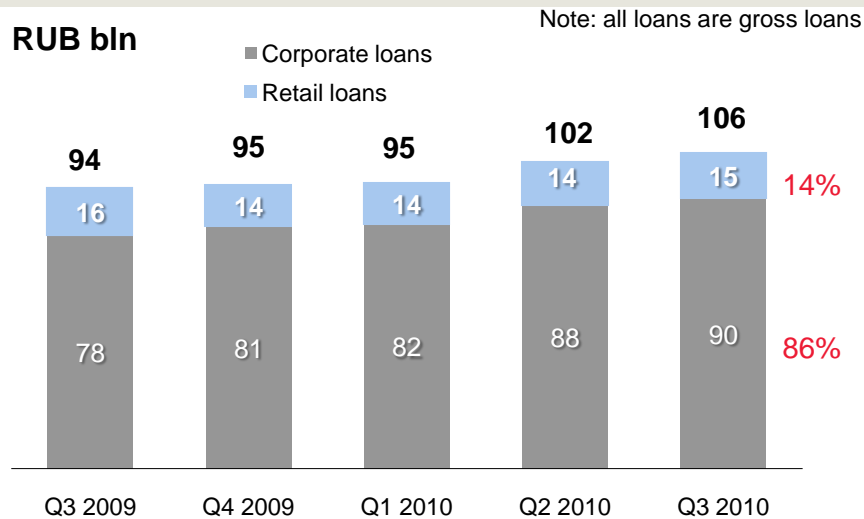


# Business model

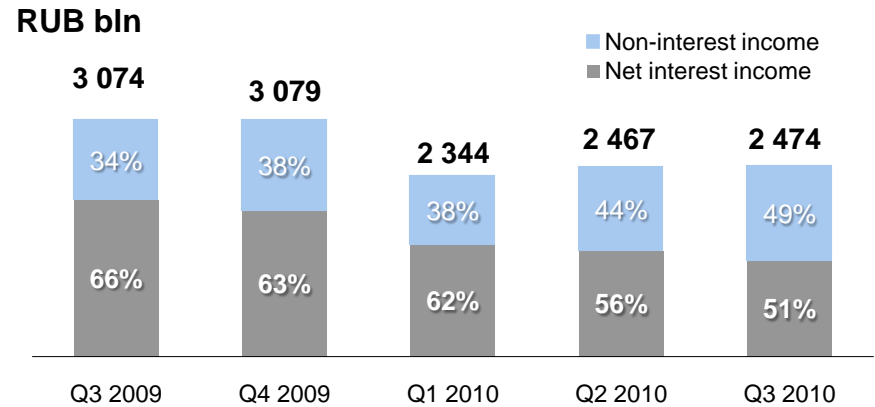
## Business based on relationships...

- Customer oriented organic growth
- Conservative balance sheet
- Primarily deposit funded
- Focused network expansion
- Increasing efficiency in service delivery

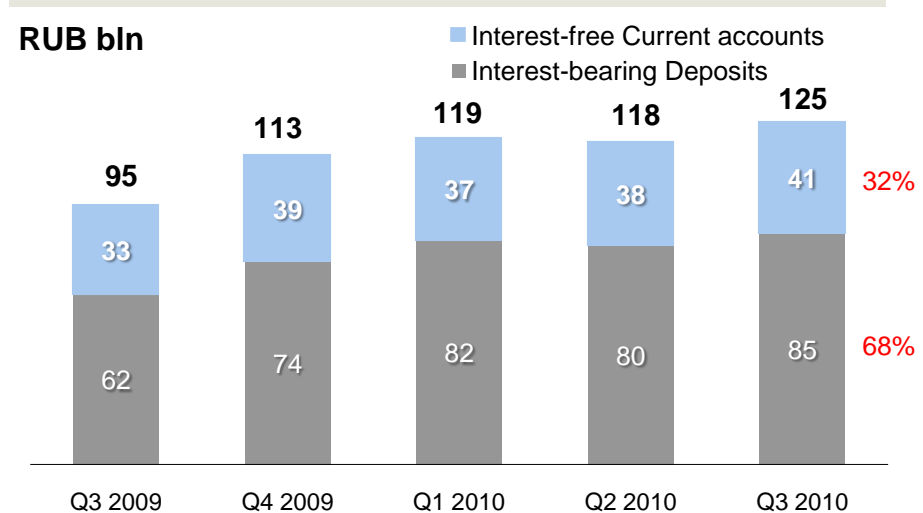
## Loan portfolio development...



## ... gives strong non-interest income

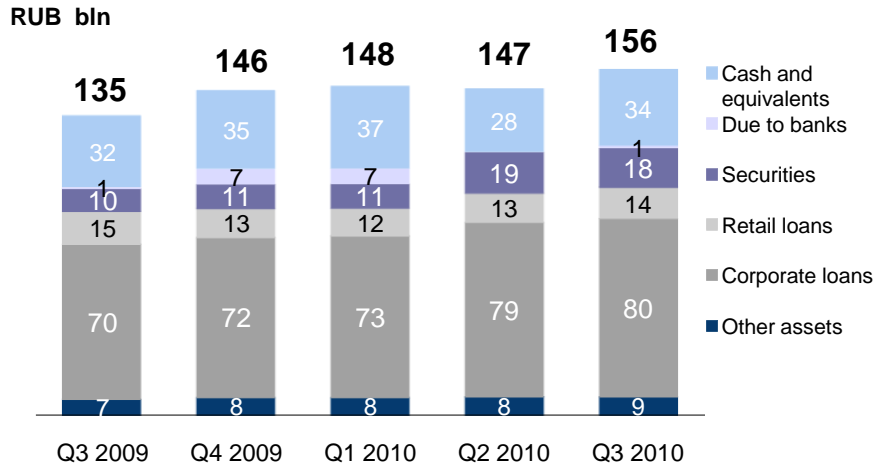


## ... funded by customer accounts

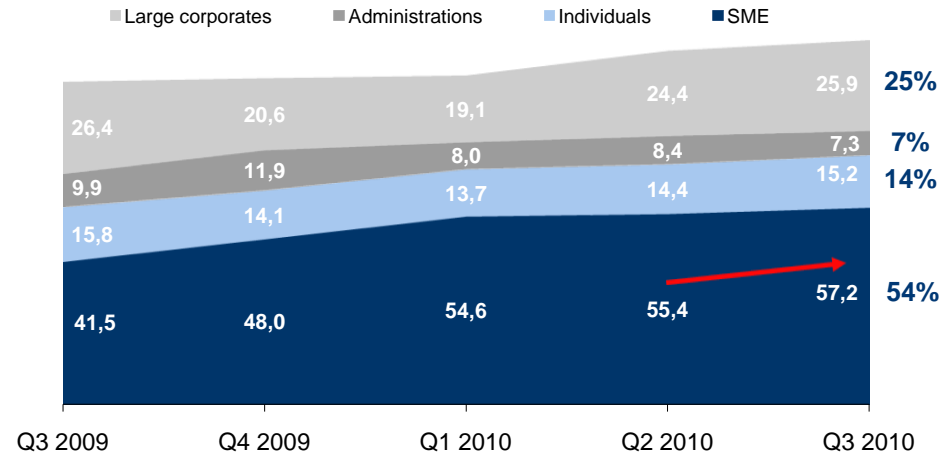


# Asset mix with strong liquidity position

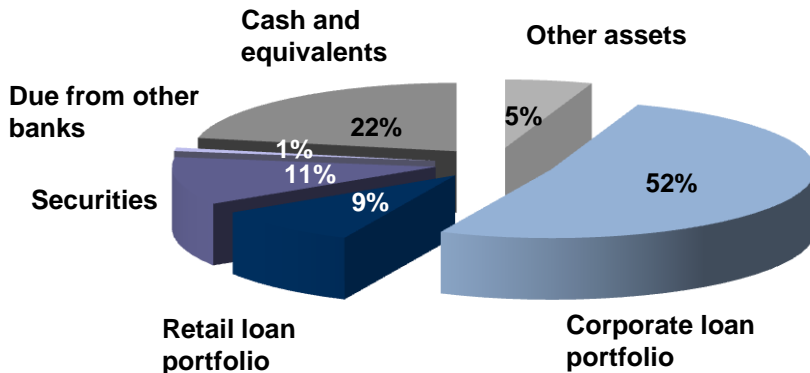
## Loan growth exposed to economy recovery...



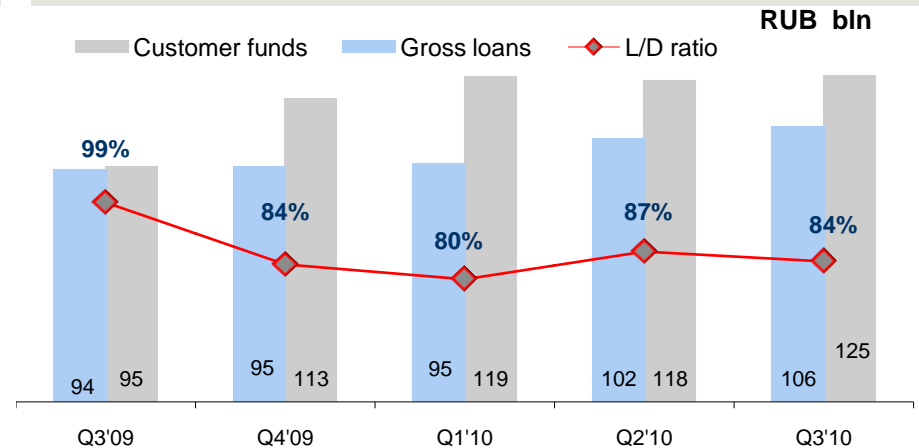
## ...with sharpened SME focus



## IEA represent 73% of total assets

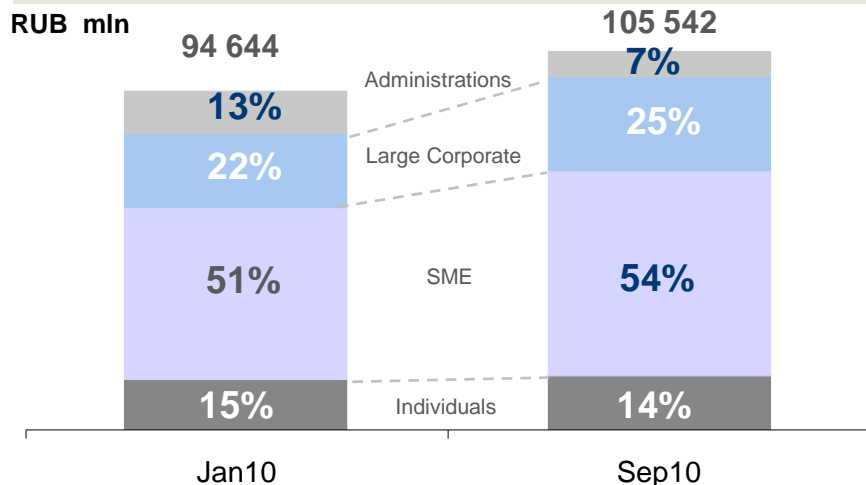


## Strong liquidity supports further growth



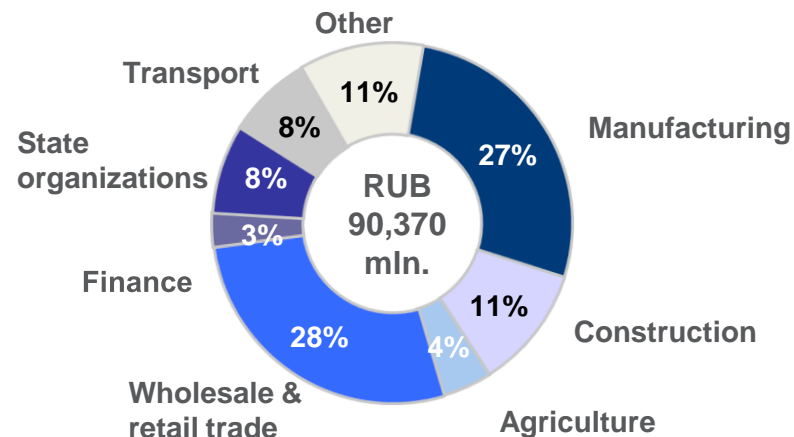
# Loans and advances

## Focus back to SMEs



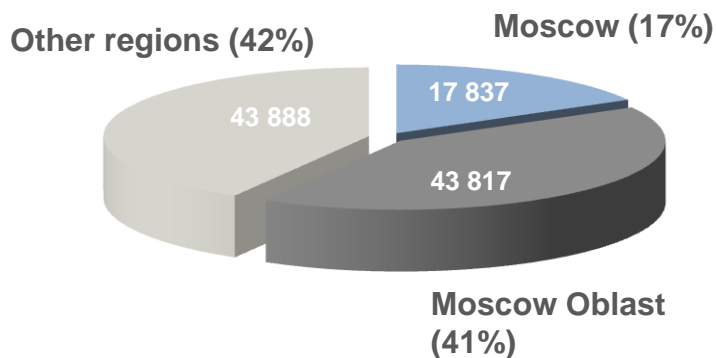
## Strong industry diversification

\*as of 01.10.2010



## Loans and advances by geography

\*as of 01.10.2010



## Key points

- Vbank is getting back to traditional client structure and consistently building up SME's share as core and more profitable clients' segment.
- About 60% of client base is coming from home region with a wide distribution network - Moscow and Moscow Oblast - allowing the bank to become second largest lender in many of our locations.
- Loan portfolio is well diversified across sectors with the largest share of manufacturing and wholesale trade.

# Who are SMEs?

## What is our SME Definitions

Segment	Credit turnover on current accounts. RUB mln.	Total credit exposure. RUB mln.	Total customer funds with the Bank. RUB mln.
Large business	>300	>750	>300
Medium-size and small businesses	6 - 300	30 - 750	6 - 300
Micro businesses	1 - 6	6 - 30	1 – 6



**Food processing – factories manufacturing different types of high-quality food and drinks.**



**Petrol stations networks – complex service of high-quality petrol, minimarkets and café, car washes and technical services.**



**Pharmacies networks – still healthy demand both for beauty products and medicines.**

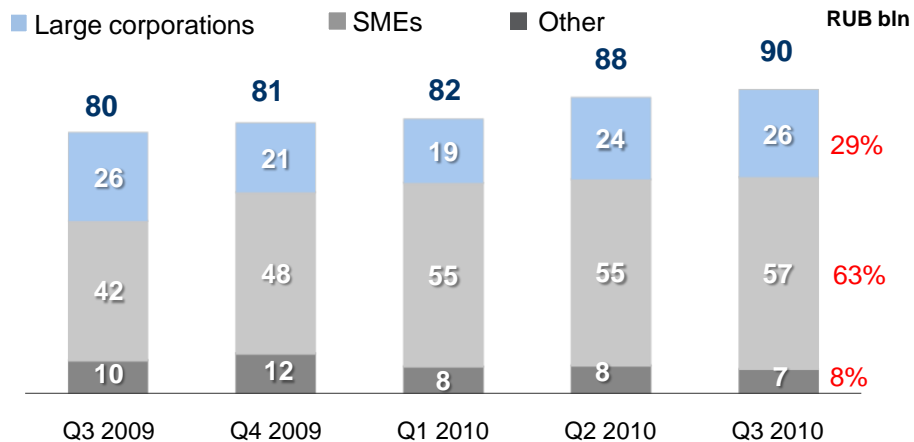


**Food retailers– small chains of handy stores “Close-to-House” style for daily shopping located in dormitory area with high density of population.**

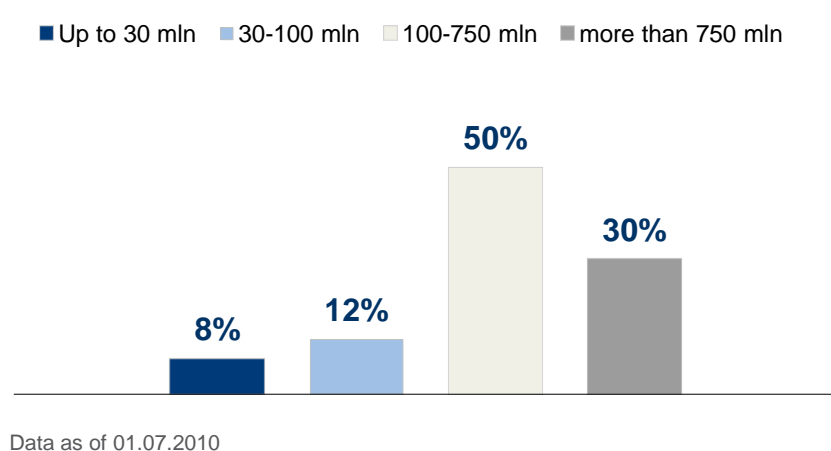


# Corporate business

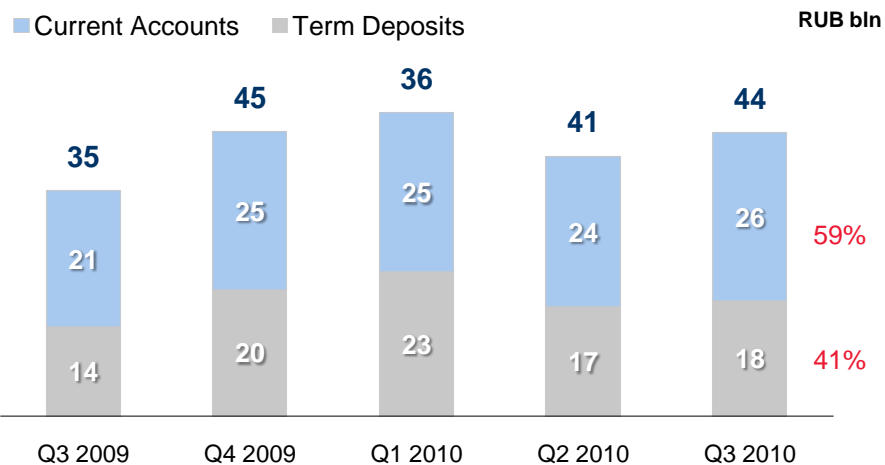
## Corporate lending – focus remains on SMEs...



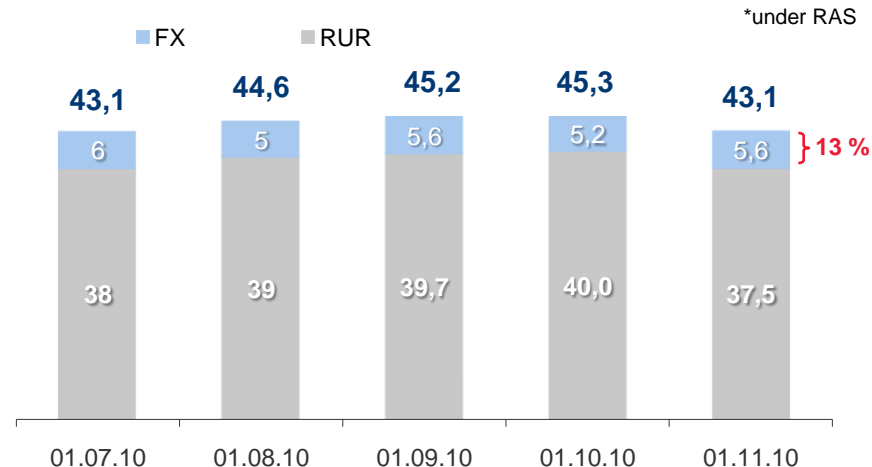
## ...with 70% of loans less than RUB 0.75 bln



## Corporate funding...

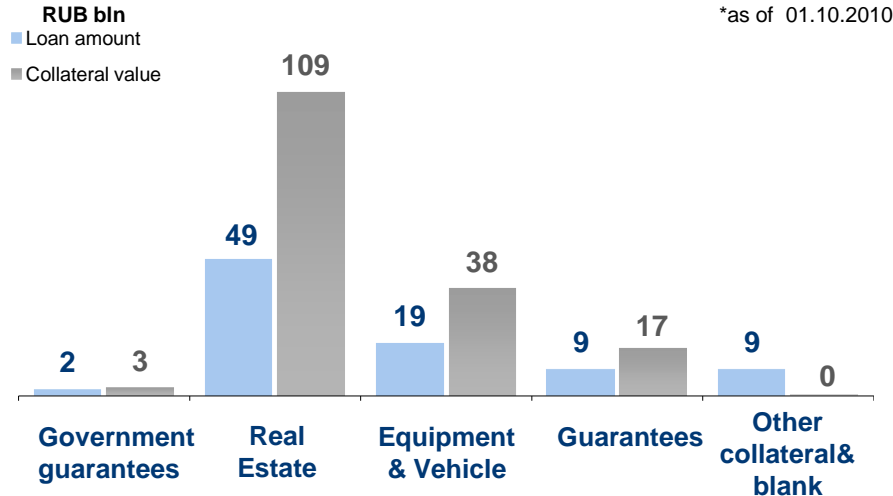


## ...mostly nominated in RUB

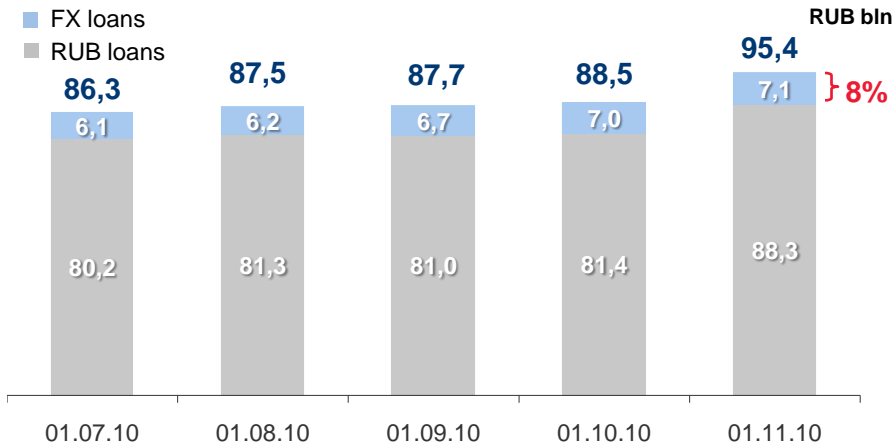


# Conservative risk profile

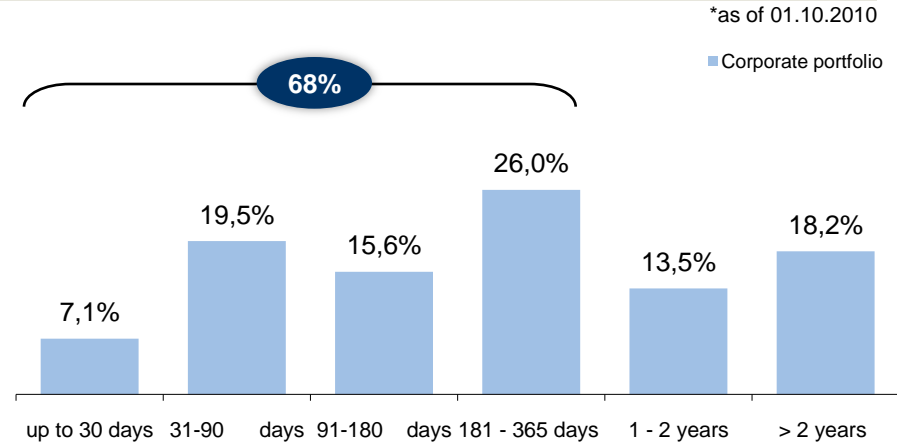
## Credit policy sticks to reliable collateral...



## ...in the same currency as SMEs revenues.



## ....providing mostly working capital...



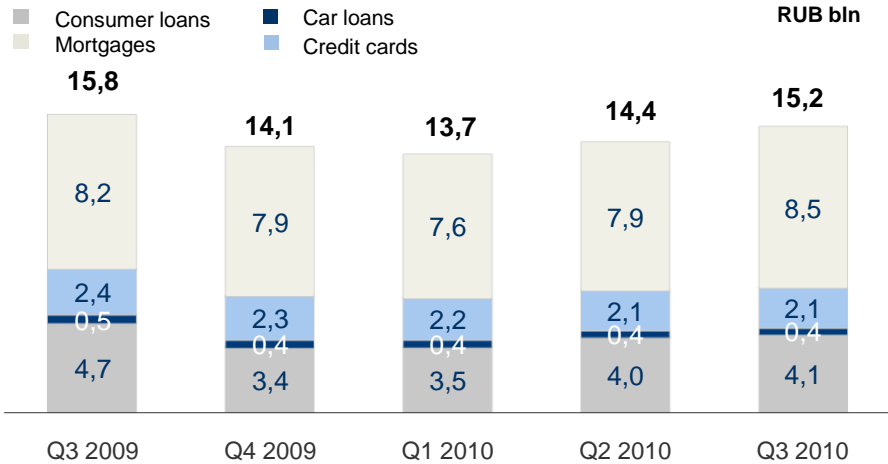
## Key points

- Average LTV of the portfolio is 54%\* mostly collateralized by solid real-estate, equipment and vehicles (77% of total loans). Revision of collateral value is conducted on a quarterly basis.
- We provide our clients with working capital rather than long-term financing – 68% of corporate loans with maturity less than 1 year. It allows us to react on changing market conditions.
- Matching in terms of the loan currency and the client revenues is a core point. FX loans are issued only to customers related to export-import transactions.

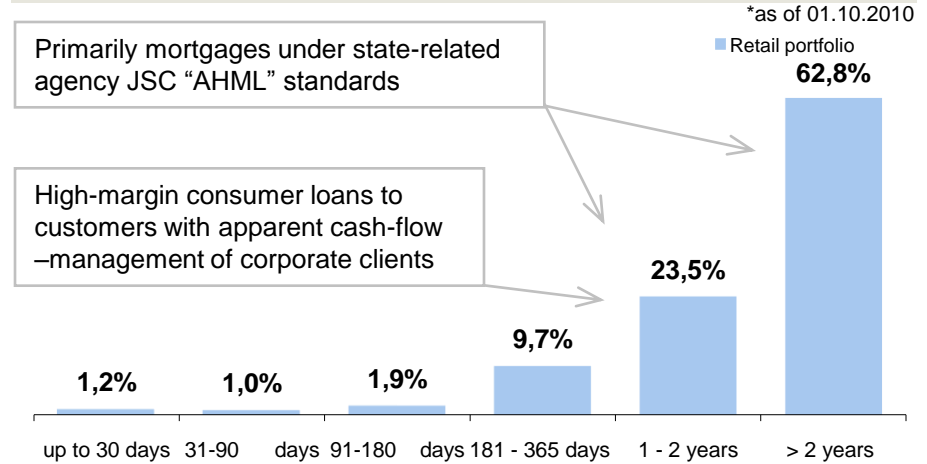
\*Guarantees are not taken into account

# Retail lending – promising segment after crisis

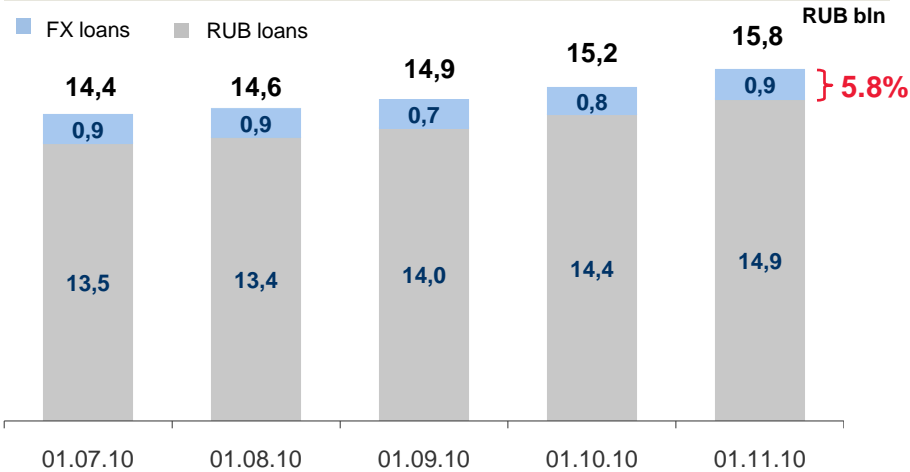
## Retail loan book changes (IFRS)



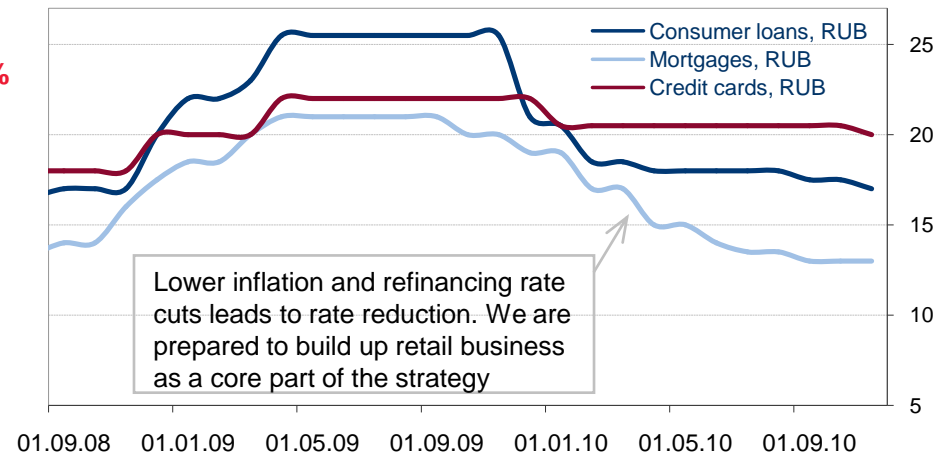
## Retail loans maturity



## Currency breakdown (RAS)

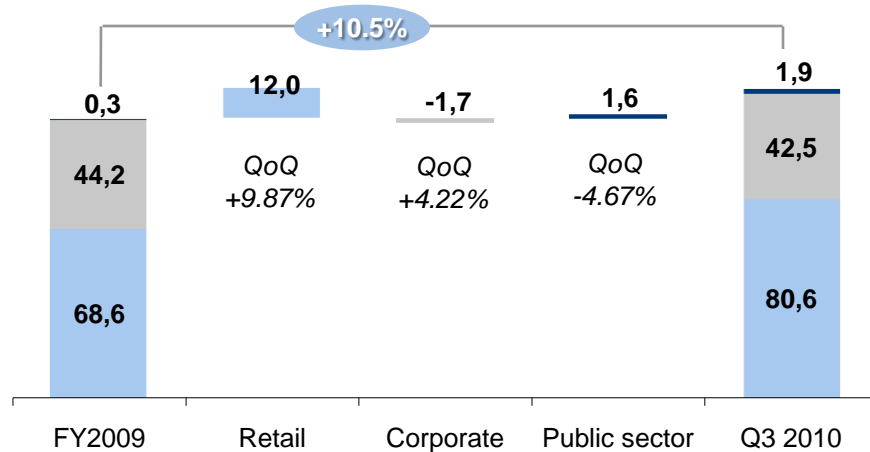


## Rates for retail loans



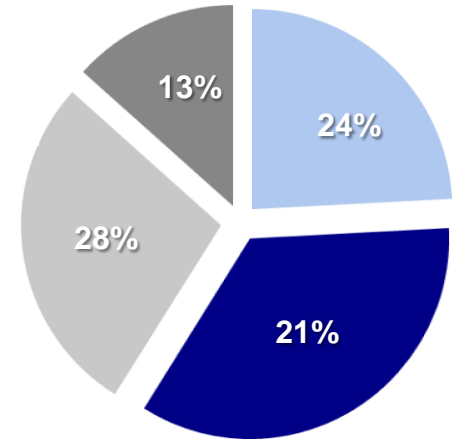
# Individual deposits – core part of liabilities

## Customer deposits development



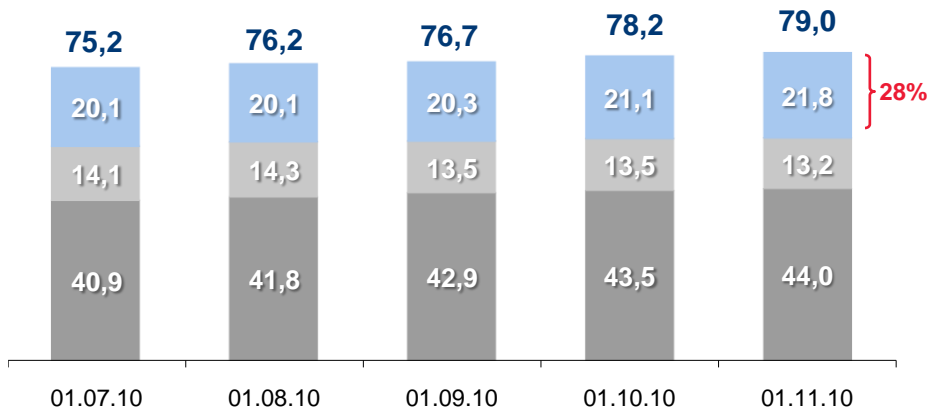
## Individual deposits maturity

- Less than 1 month
- 1-6 months
- 6-12 months
- Over 12 months



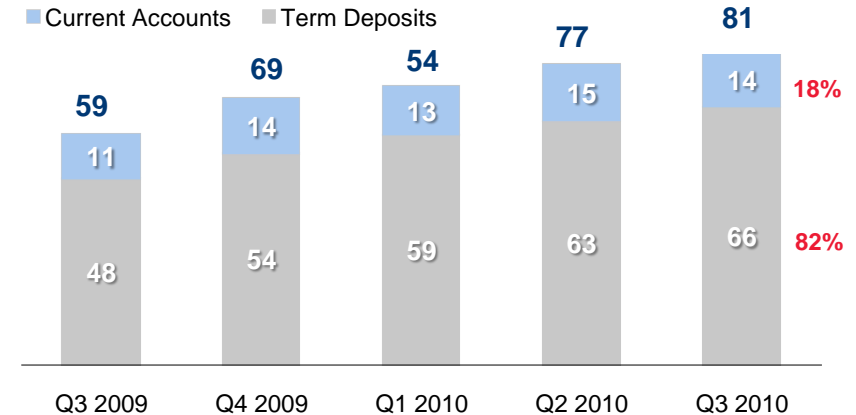
## Retail currency breakdown (RAS)

- FX term & cards
- RUR cards
- RUR term



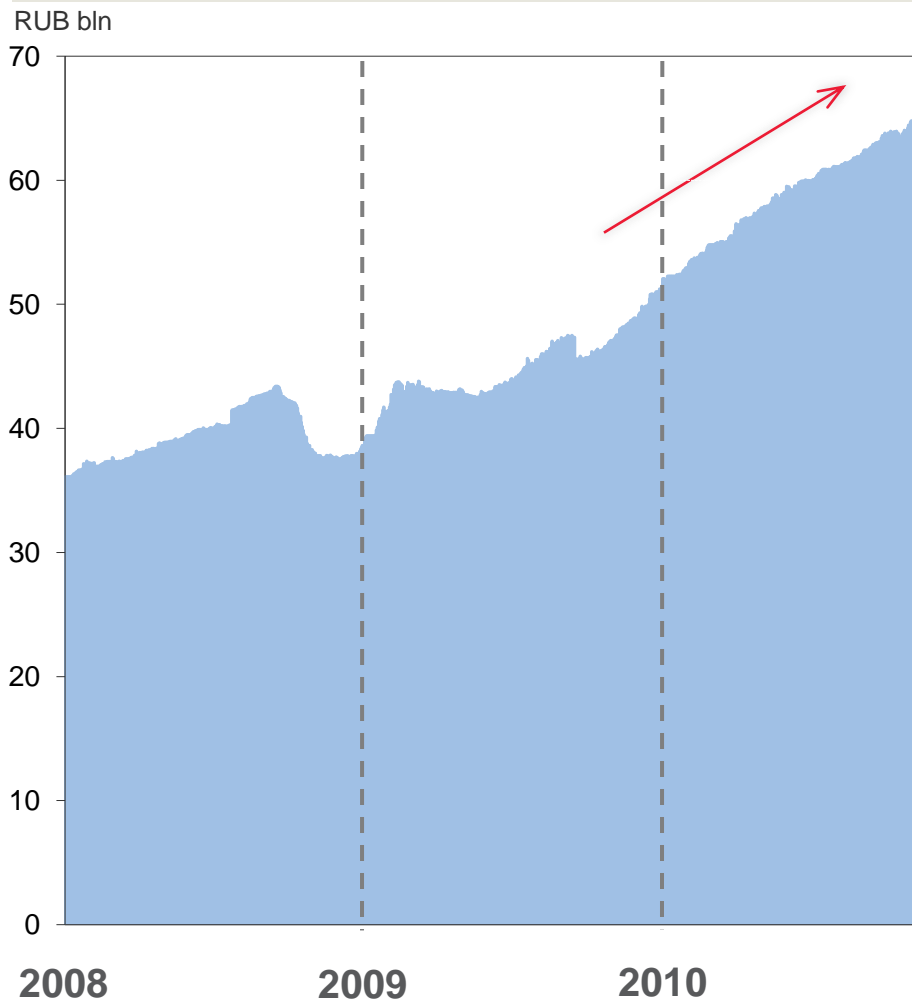
## Retail funding

- Current Accounts
- Term Deposits

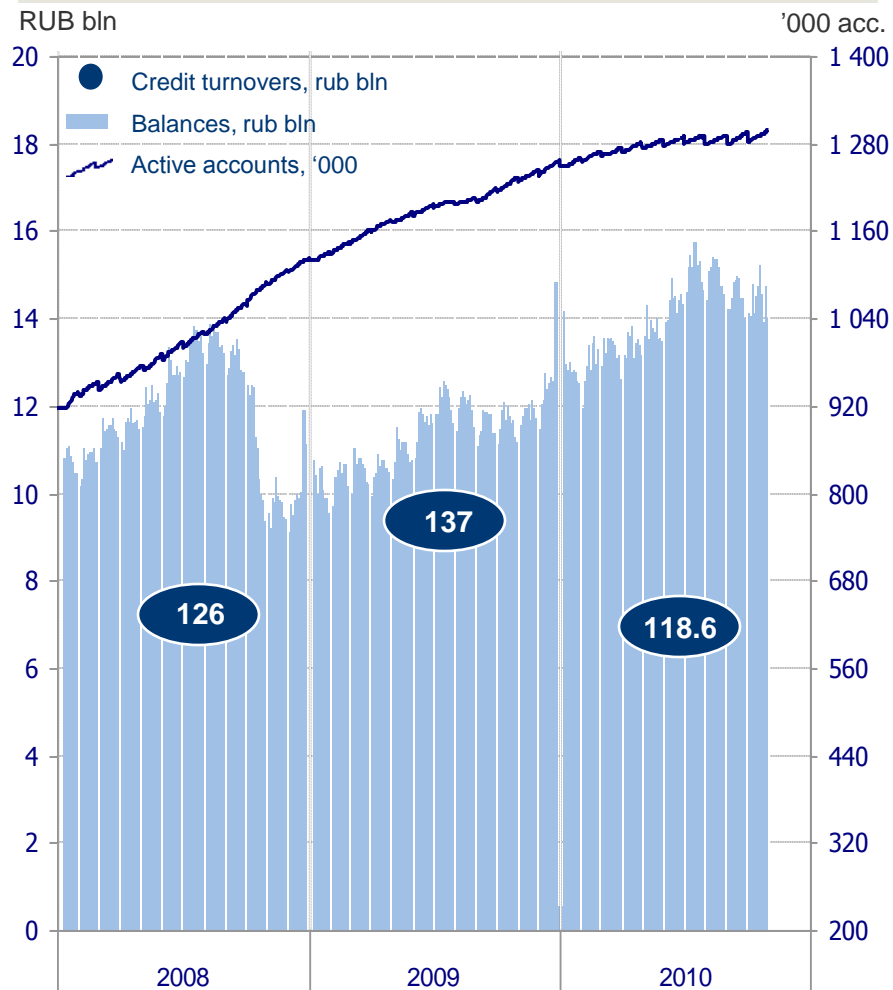


# Individual deposits – base for growth resumption

## Retail term deposits and accounts



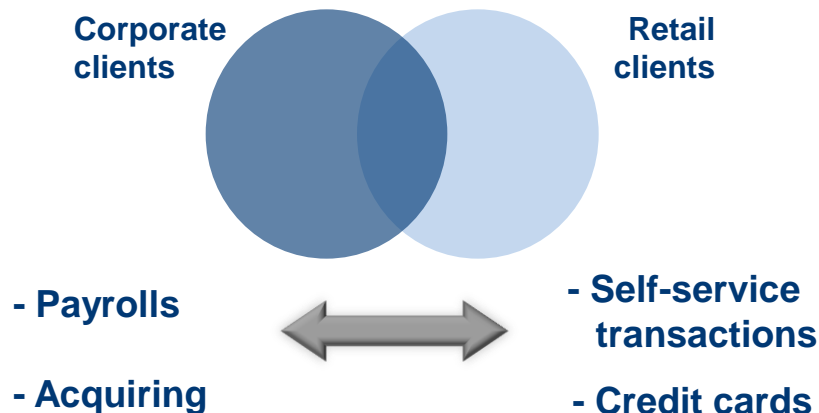
## Card accounts



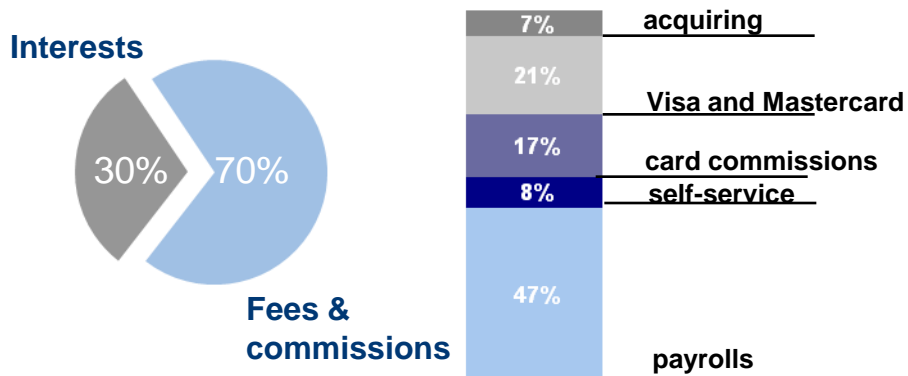
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# Card business – reliable source of non-interest income

## Business strategy...



## ...Generates strong fee income



## ...developing key card product - payrolls

	Q4 2009	Q1 2010	Q2 2010	Q3 2010
<b>Payrolls</b>	<b>9,400</b>	<b>9,700</b>	<b>10,200</b>	<b>10,500</b>
Debit cards	1,325,946	1,344,562	1,357,584	<b>1,363,663</b>
Credit cards	53,021	46,730	42,398	<b>51,558</b>
ATMs	677	698	710	<b>715</b>

## Key points

- Payrolls is the main tool for client base growth with strong potential – 56,000 of existing corporate clients and 15,000 installed “client-bank” systems
- Offering cards only to existing corporate clients: credit cards for owners, top and mid-level managers and specialists, debit cards for personnel
- Pushing cross-sales between retail and corporate
- Low loan losses on credit cards – 4.6% under RAS proved the stability of business strategy

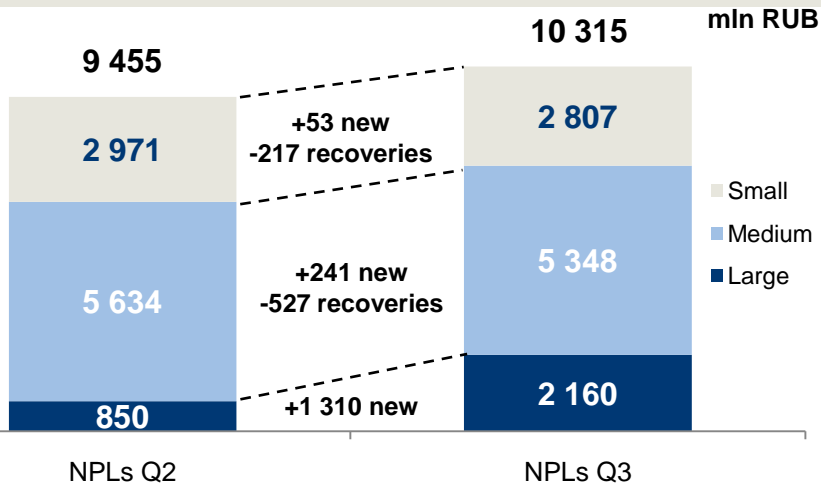
# Asset quality evolution



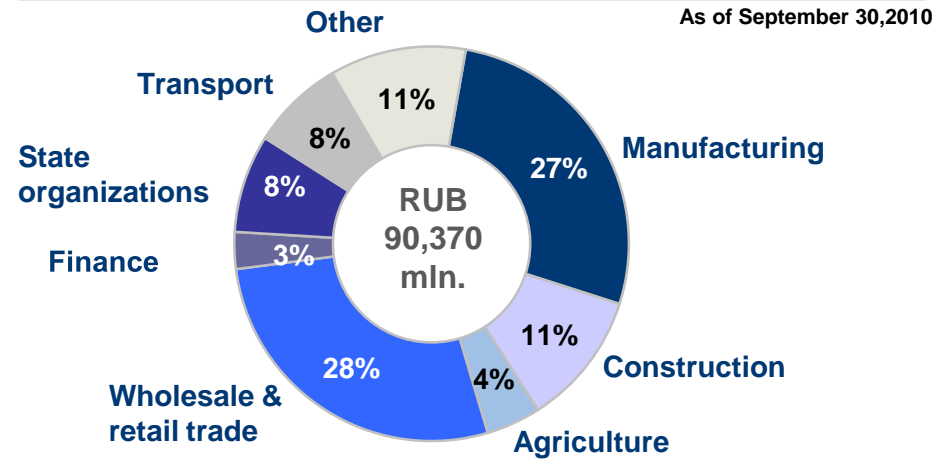
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# Credit quality management

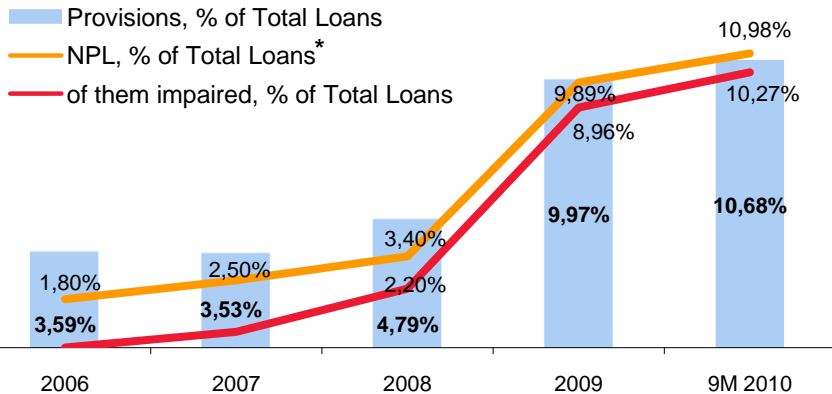
## First recoveries occurred



## Diversification by industry

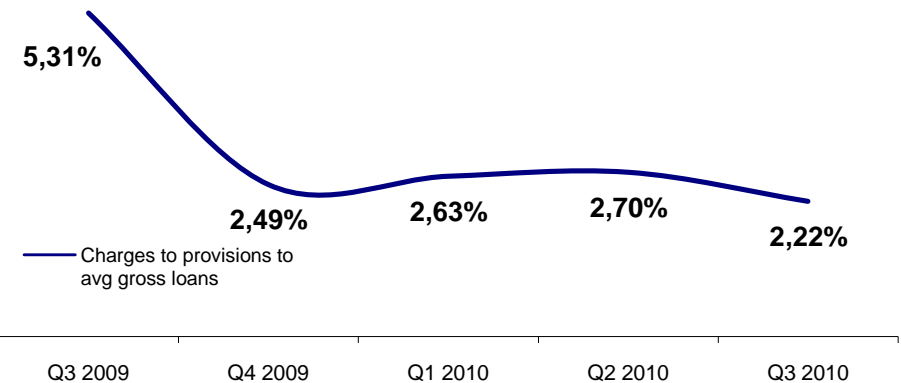


## NPL Coverage ratio



\* NPL includes the whole principal of loans at least one day overdue either on principal or interest

## Annualized cost of risk



# Credit quality

as of 30.09.2010	Large corporate	SMEs	Mortgages	Other retail	Total	% of total loans
<b>Gross loans, including</b>	26,969	63,402	8,537	6,634	105,542	100.0%
Current loans	24,809	55,247	7,878	6,016	93,950	89.02%
Past-due but not impaired, of them	0	234	394	121	749	0.71%
Less than 90 days	-	234	378	116	728	0.69%
Over 90 days	-	-	16	5	21	0.02%
Impaired, of them	2,160	7,921	265	497	10,843	10.27%
Less than 90 days	1,310	959	3	48	2,320	2.20%
Over 90 days	850	6,962	262	449	8,523	8.07%
<b>Total NPLs</b>	2,160	8,155	659	618	11,592	10.98%
<b>Provisions</b>	- 1,737	- 8,476	- 457	- 601	-11,271	10.68%
<b>Net Loans</b>	25,232	54,926	8,080	6,033	94,271	-

**Provisions to NPLs Ratio**

**97%**

**Provisions to 90+ days NPLs**

**132%**

**Rescheduled Loans**

**3.4%**

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

# Liabilities, Liquidity and Capital position

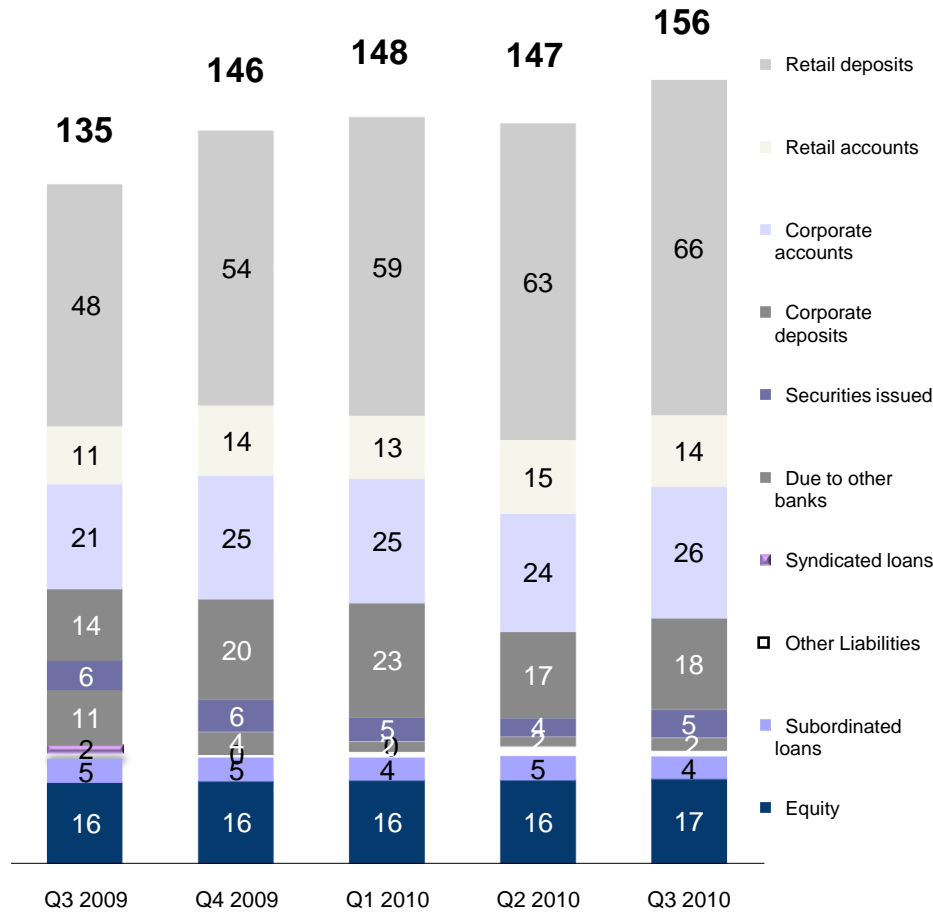


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# Ongoing efforts on funding costs reduction

Client's funds remains the main funding source...

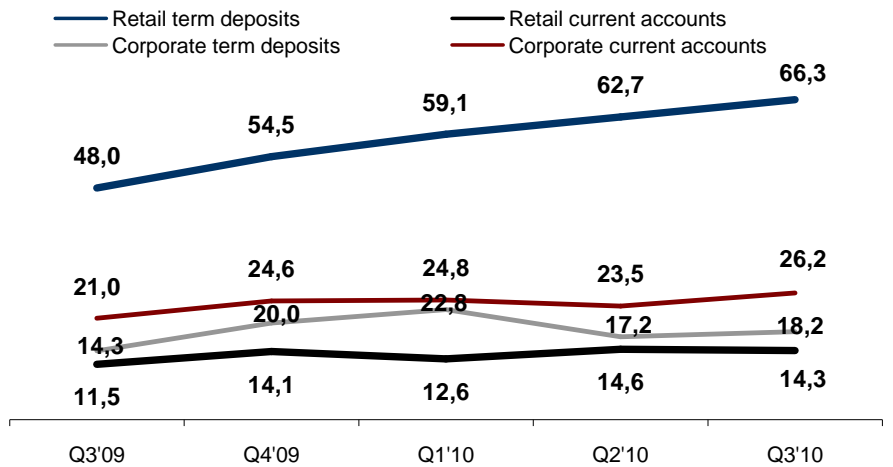
RUB bln



...with high share of interest - free sources

	Q3 2010	Q2 2010	Q3 2009
<b>Customer accounts to liabilities</b>	<b>90.1%</b>	<b>90.5%</b>	<b>79.2%</b>
- <i>Customer deposits</i>	<i>60.9%</i>	<i>61.3%</i>	<i>52.3%</i>
- <i>Current accounts</i>	<i>29.2%</i>	<i>29.2%</i>	<i>27.3%</i>
<b>Equity to total assets</b>	<b>11%</b>	<b>11%</b>	<b>12%</b>
<b>Liabilities to equity</b>	<b>8.3</b>	<b>7.9</b>	<b>7.5</b>

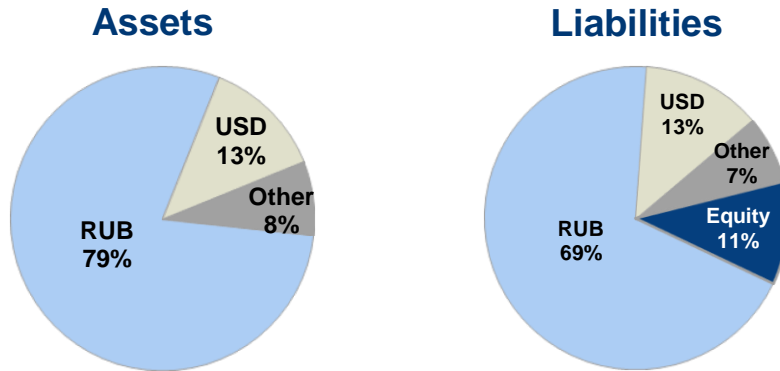
Deposit inflow supports liabilities re-pricing



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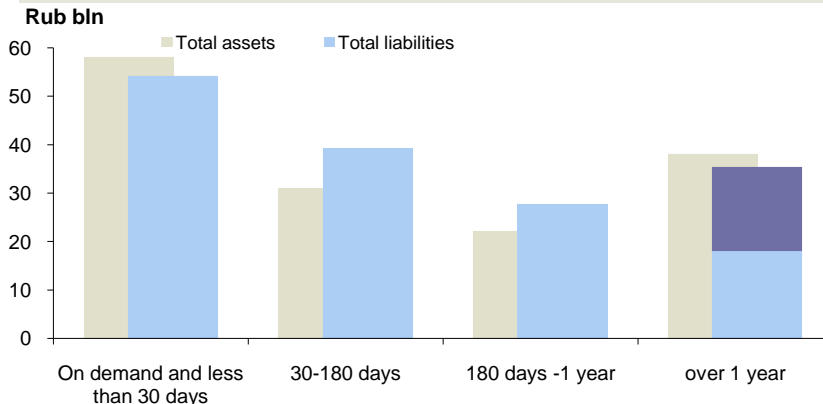
# Currency and gap management, capital adequacy

## No mismatches on the balance-sheet\*



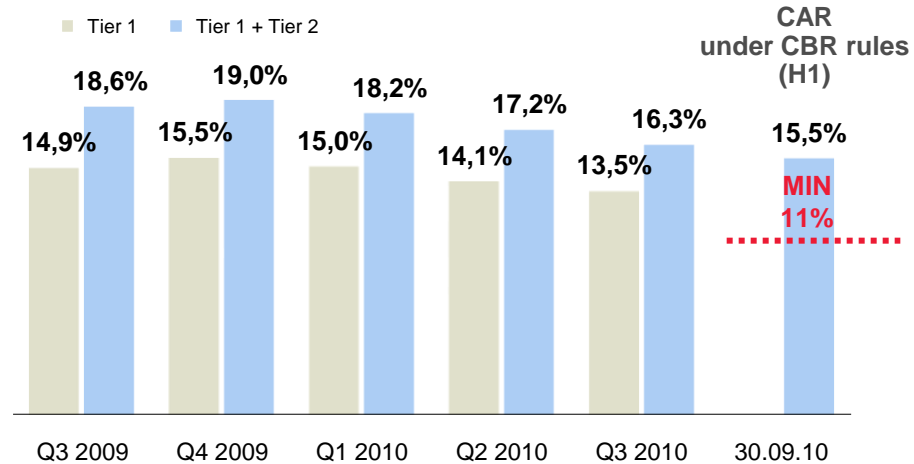
\* Based on monetary assets and liabilities

## Maturity gap\*\*



\*\* Based on expected expiration date

## Strong capital position



## Key points

The bank's capital position of 13.5% Tier 1 and CAR of 16.3% remains comfortable anticipating future growth.

The Bank sticks to policy of having no mismatches on the balance sheet in terms of currency risk with particular focus on ruble-nominated assets.

Maturity structure of assets and liabilities remained balanced with the largest gap of 8bln (5% of total assets) in a 30-180 days range.

# Recent IFRS results



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# Operational background

Results as planned: NI of RUB mln 397 (+48% qoq).

Gaining market share on core markets even in challenging competition environment...

- Total loan growth b.p. was **11.5%** ytd vs. sector growth of **8.6%**.
- Moderate **3.0%** growth in 3Q was due to summer vacation period and abnormal heat in Russia that affected economic activity.
- Lending to SMEs up **18.9%** ytd while quarter growth was **3.3%**.
- Loans to borrowers operating in Moscow region increased by solid **30.4%** ytd vs. sector growth of **12.6%**.

...observing signs of positive developments in asset quality despite slowdown in loan growth...

- General increase in NPL ratio from **10.6%** to **11.0%** was due to impairment of a large loan.
- Net contraction of NPLs: from **13.9%** to **12.9%** in SME; from **9.5%** to **8.4%** in retail segments.
- Interest received almost reached interests accrued through PnL – **96%** in Q3 versus average **90.3%** in H1 2010.

...we maintain conservative balance-sheet supportive to further growth and profitability recovery

- Sufficient capital base (CAR: **16.3%**, core Tier 1: **13,5%**).
- Sound liquidity with overall loan/deposit ratio **84%**.
- Cost of funds reduced by next 40 bps to **6.0%** on the back of customer deposits **6%** QoQ growth.

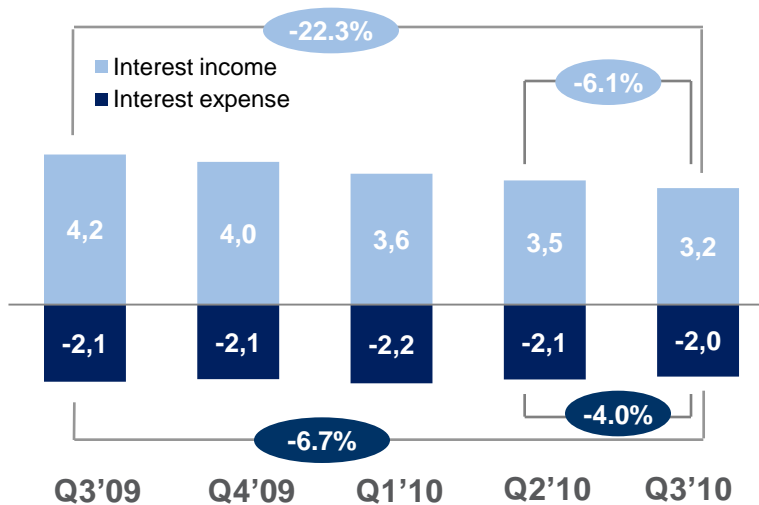


# 9M 2010 Financial highlights

	Q3 2010	Q2 2010	Change Q-o-Q
Total Deposits, of them	125,064	118,075	+5.9%
<i>Retail deposits</i>	80,601	77,339	+4.2%
Net Loans	94,271	91,780	+2.7%
Loans to Deposits ratio	84.4%	86.8%	-2.4 p.p.
NPLs ratio	11.0%	10.6%	+0.4 p.p.
Net Profit	179	121	+47.9%
Total Operating Income b.p.	2,474	2,467	+0.3%
Total Operating Costs, of them	-1,718	-1,679	+2.3%
<i>Personnel expenses</i>	-867	-893	-2.9%
Cost to Income ratio	69.4%	68.1%	+1.3 p.p.
Capital Adequacy	16.3%	17.2%	

# Decline of funding costs partially offset yields contraction

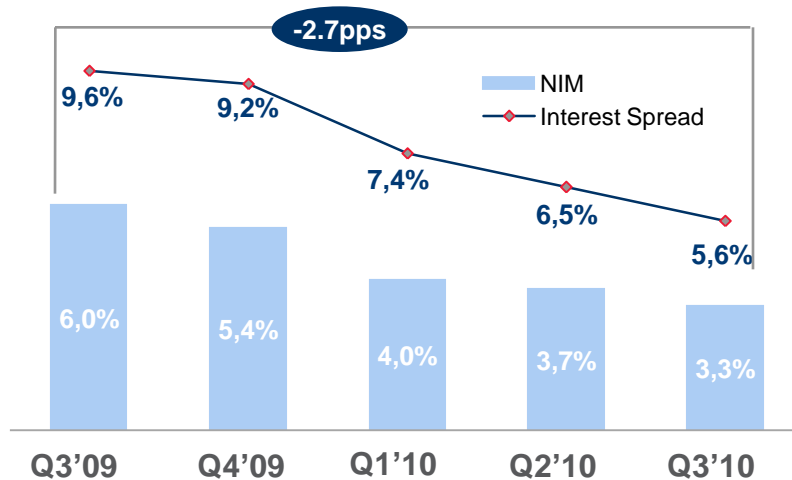
## Interest Income and Interest Expenses, RUB bln



- Continued pressure on lending rates driven by increased competition together with repayment of higher-yield loans resulted in 6.1% QoQ contraction of interest income.

- Ongoing re-pricing of liabilities resulted in 4% decrease of interest expenses on the back of continued inflow of deposits. Costs of corporate term deposits were down 1.1% QoQ while costs retail ones contracted by 0.5% QoQ.

## NIM and Spread evolution

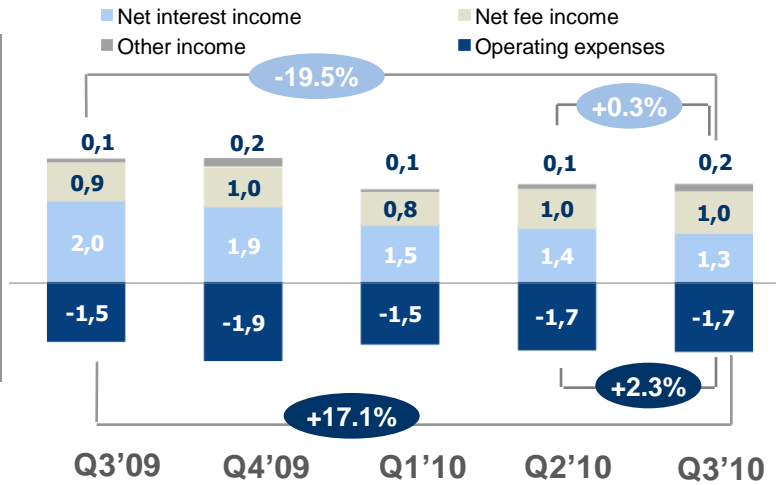


- NIM on average assets contracted by 43 bps from 3.7% to 3.3% due to balance-sheet growth on the back of 9% decline of net interest income. Spread decline 0.9% resulted from strong pressure on yields.



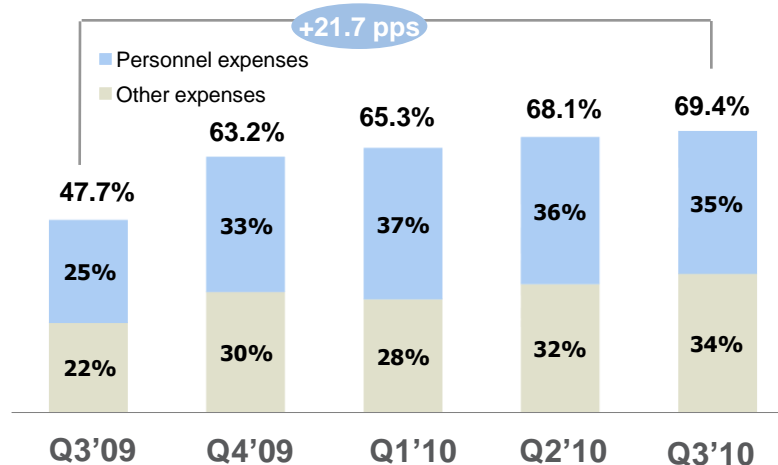
# Stable revenue due to F&C income growth

Operating Income and Expenses, RUB bln



- In the low rates environment we managed to increase non-interest income by 12.4% QoQ. F&C income increased by 7% QoQ driven by stronger fees from settlements and cash transactions. Growth of F&C and trading gains offset interest income decline and resulted in solid 49% share of non-interest income in total operating income before provisions. Total revenue was stable with 0.3% QoQ growth.

Cost to Income before provisions, %

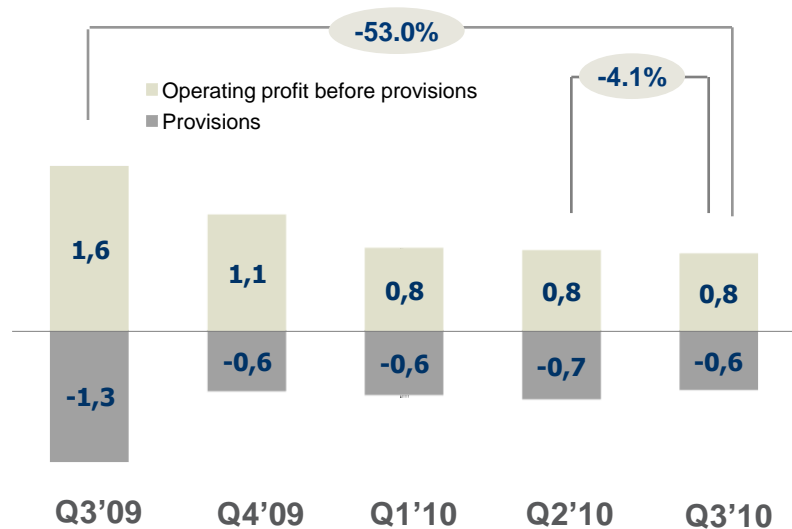


- Strict control over personnel costs (-2.9% QoQ) coupled with reduction of administrative expenses (-3.8% QoQ) narrowed cost growth to 2.3% QoQ only.

- Moderate cost growth resulted in cost to income increase by only 1.3 pps QoQ.

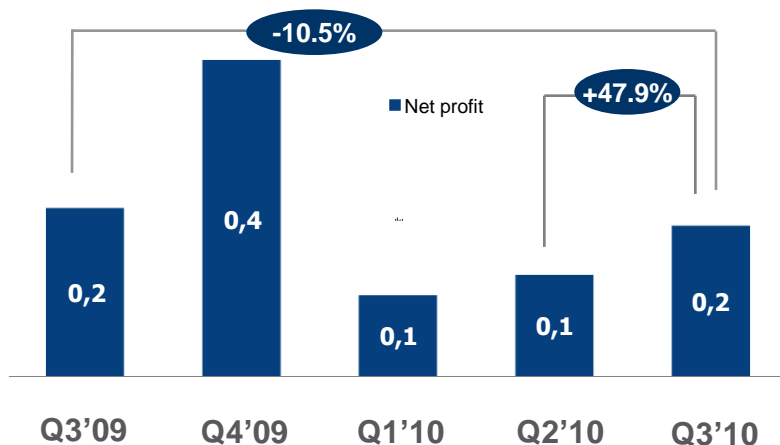
# Stabilization of asset quality resulted in provisioning deceleration

Operating profit and provisions, RUB bln



- Cost of risk was 2.2% in 3Q compared to 2.7% in Q2 with charges to provisions of Rub 577 mln. NPLs (1day+) coverage ratio remained at sufficient level of 97%. For the NPLs with overdue more than 90 days coverage ratio was 132%.

Net profit, RUB bln



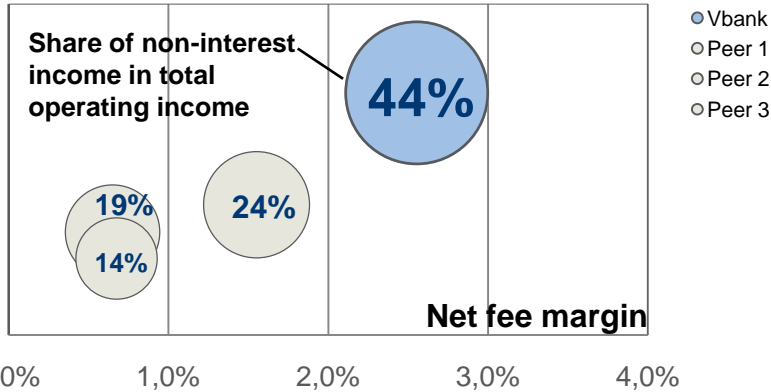
- Change of the approach to accounting for deferred tax assets after consulting with our auditors in Q2 2010 contributed to reduction of effective tax rate to the 19% level for 9M. Thus net income grew by 48% QoQ.



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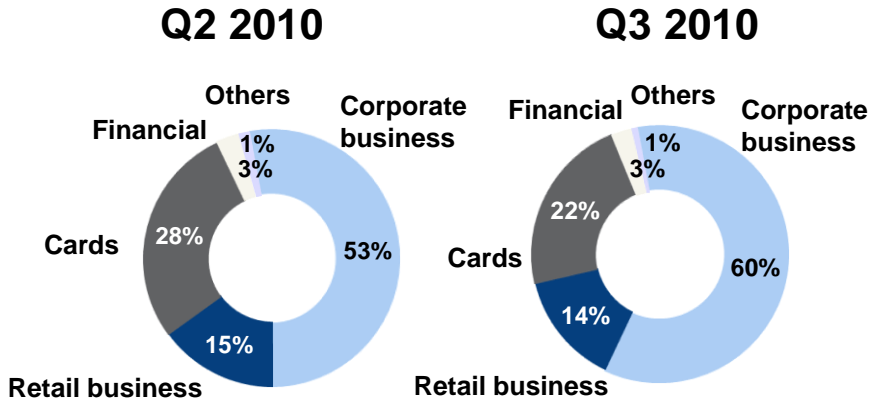
# Fee income generation

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

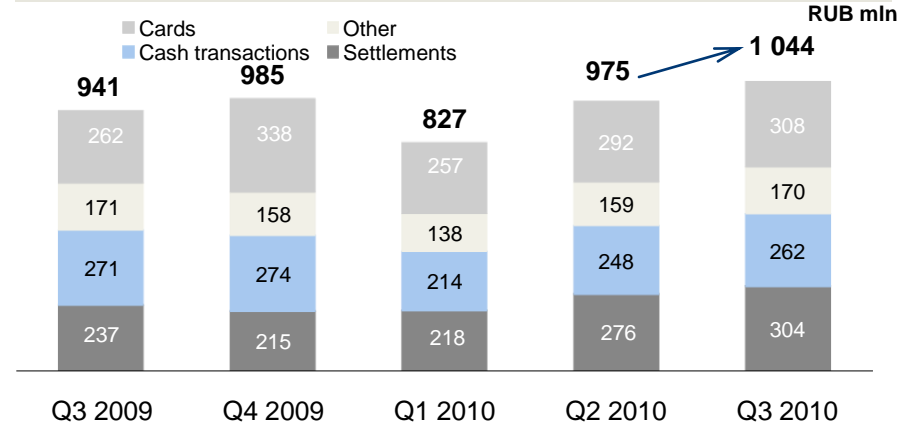


\* Peers' data for H1 2010, Vbank – for 9M 2010

## Non-interest income breakdown by segments



## Net fee income distribution



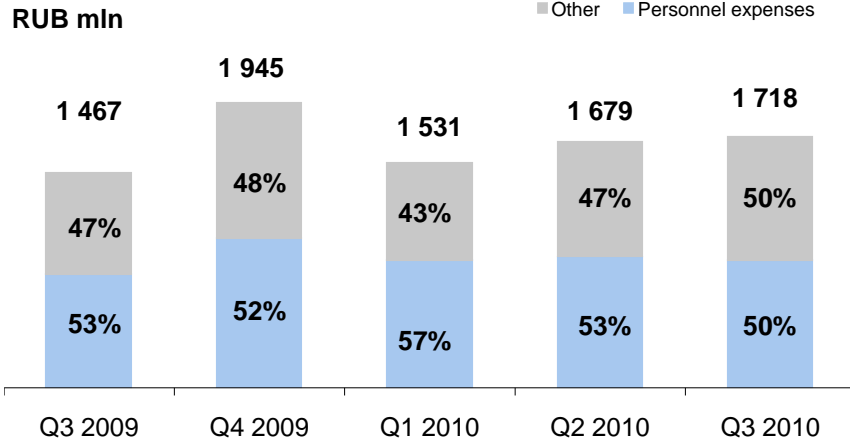
## Key points

Vbank's share of non-interest income in total operating income reached 44% for 9M 2010, that is one of the highest across the sector. Our developed infrastructure and long-term relations with clients allows us to support our revenues in low interest rate environment with fee generating products like settlements, money transfer, payments, cash collections, that are well diversified across internal businesses and types of banking products.

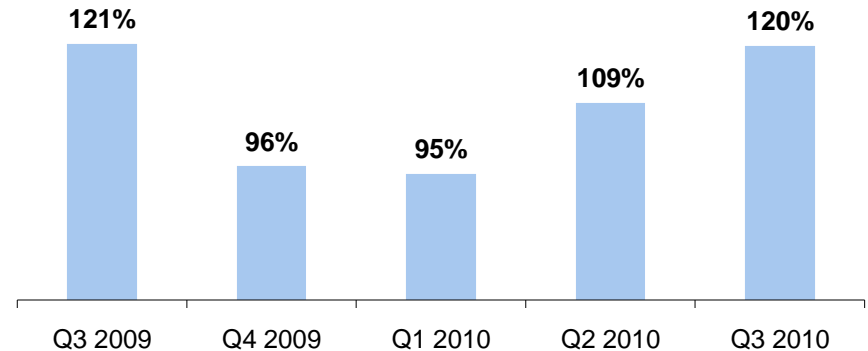
7% fee growth QoQ was mainly driven by cash transactions and servicing settlements of the customers.

# Strategic approach to cost management

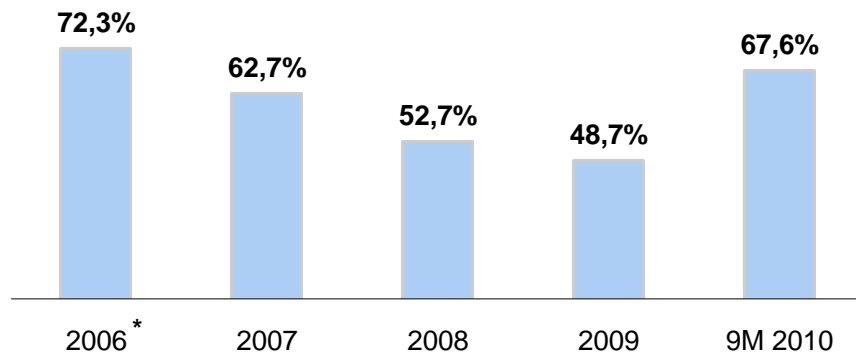
## Operating expenses breakdown



## Personnel expenses are fully covered by fees & commissions earned



## C/I ratio



\*2006 - less extraordinary items

## Costs summary

Coverage of personnel expenses by fees and commissions is gradually growing. Personnel expenses reduced by 2.9% in Q3 and were 120% covered by earned fees and commissions.

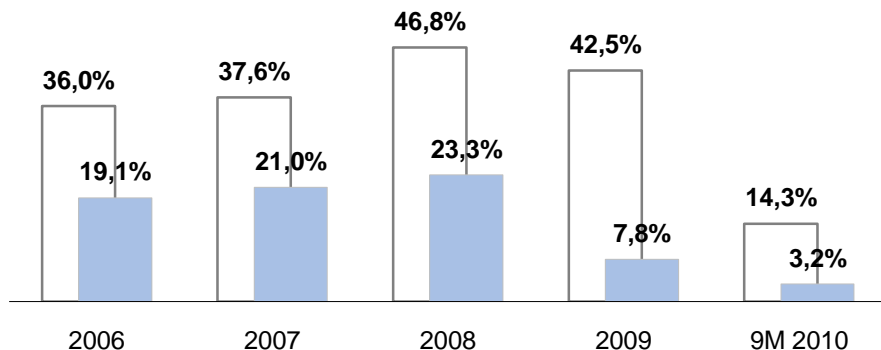
Operating expenses grew only by 2.5% q-o-q partially due to strict control over personnel costs and improving efficiency of administrative expenditures.

Cost to income ratio remained at high 67.6% level due to continued pressure on rates and drop in interest income.

# Earnings generation capability

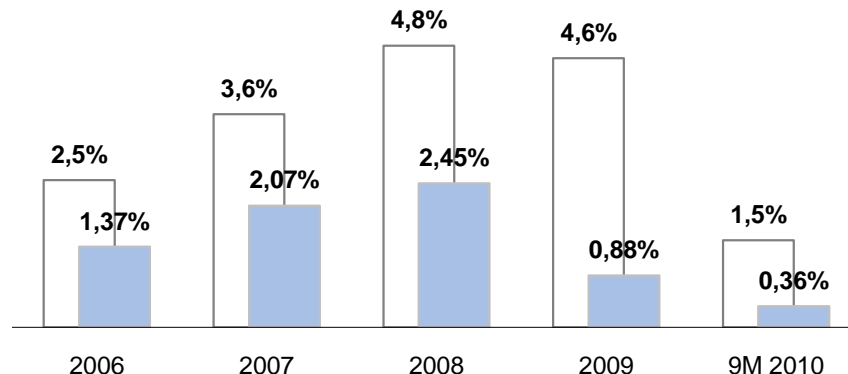
## ROE, %

□ Operating profit before provisions and taxes/ Equity ■ ROE

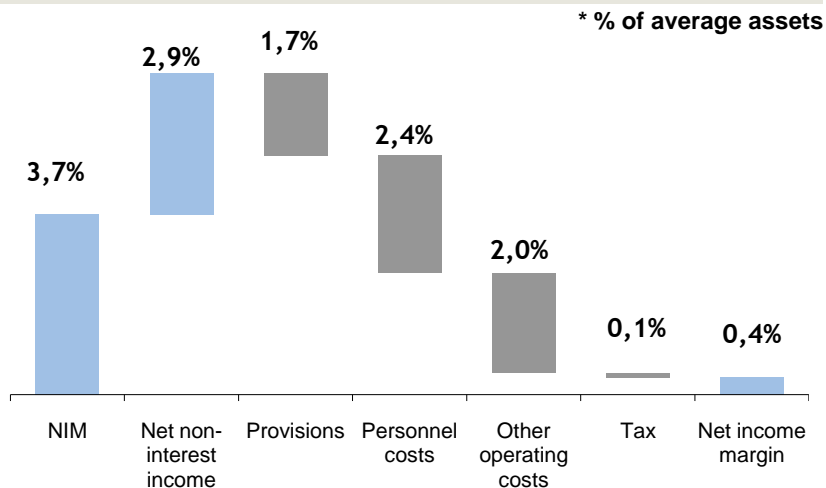


## ROA, %

□ Operating profit before provisions and taxes / Avg assets (gross) ■ ROA



## Value generation



## Key points

Net Profit in 3Q'10 was 48% higher than in 2Q'10. Net profit generated in 1-3Q'10 amounted to Rub 397 million with regularly growing quarterly values.

Gradual improvement of revenue performance driven by solid fee growth despite continuation of NIM pressure allowed generating value for shareholders quarter by quarter.



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# Capital structure and corporate governance

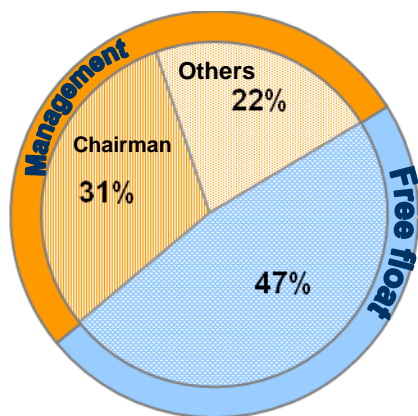


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# Capital structure

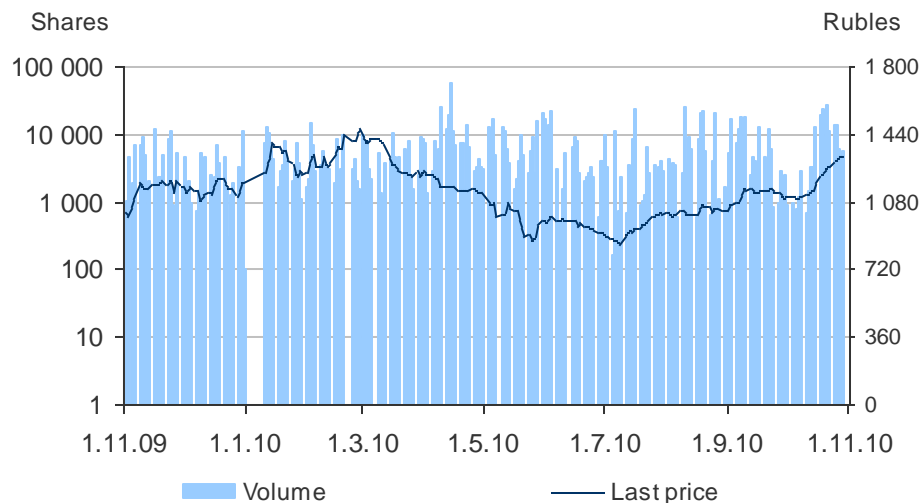
## Shareholding structure

Structure as of 06.05.2010



More than 8,300 individuals and 900 companies are among our shareholders, furthermore foreign companies represents around 300 of them.

## Share price on MICEX



As per MICEX data

## Major shareholders

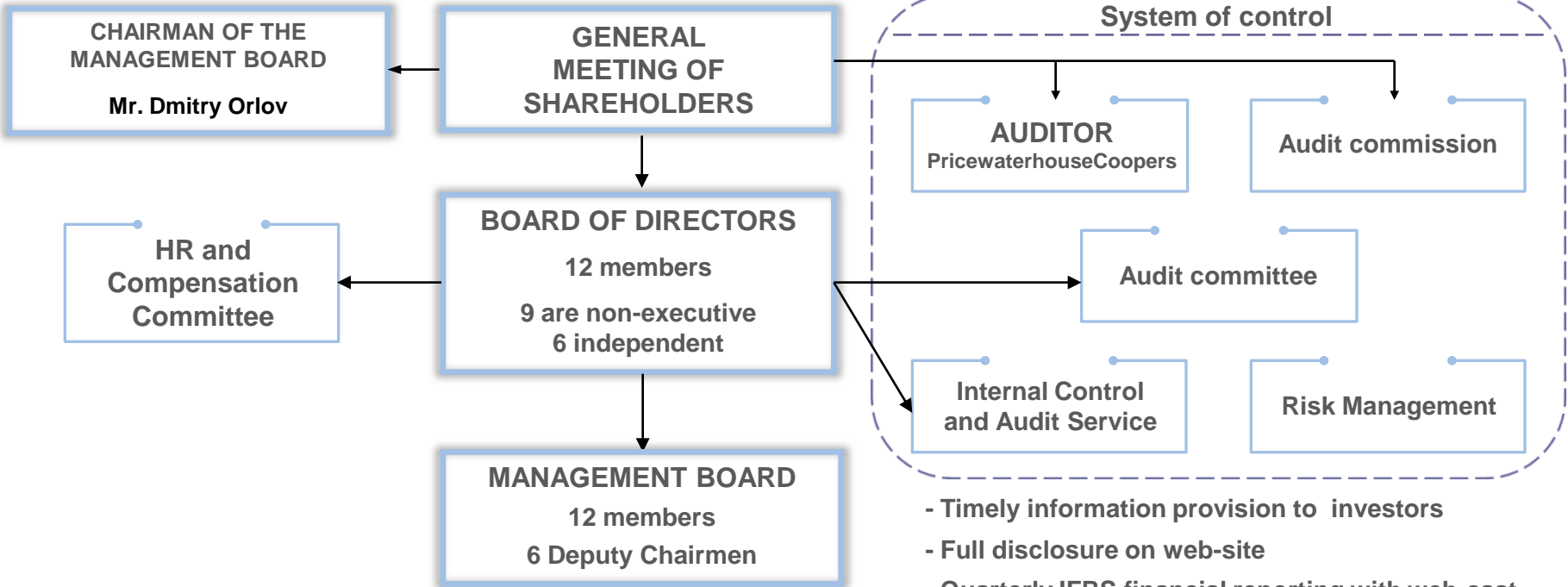
SHAREHOLDER	STAKE IN EQUITY
Dmitry L. Orlov (Chairman)	30.70%
Otar L. Margania (Member of the Board of Directors)	18.65%
JPM International Consumer Holding Inc.	9.37%
Total	58.72%

## Volumes of trading (shares)

	2006	2007	2008	2009	10M 2010
MICEX (from 1/8/2005)	349,130	2,050,384	2,940,351	2,773,910	1,331,171
RTS	167,152	380,851	167,612	370,167	305,157
OTC (from 23/1/2007)	-	14,790,607	16,624,485	5,272,000	1,619,971
German stock exchanges (ADR)	227,539	234,059	76,391	56,101	41,576
Total	743,821	17,455,901	19,808,839	8,472,178	3,297,875

# High level of corporate governance

## MANAGEMENT STRUCTURE



→ The arrows represent the authorities to appoint or elect the relevant Bank's bodies and the External Auditor

- Timely information provision to investors
- Full disclosure on web-site
- Quarterly IFRS financial reporting with web-cast presentations
- Financial reports under IFRS audited from 1991
- Solid and professional team

### Continuing excellent reputation recognition:

TOP - 5 Russia's best governed companies - 2007

The most shareholder transparent bank in Russia – 2006, 2007, 2008

“... the Bank is well informed on the principles of corporate governance and proves to be very much interested in the future improvement of the practice of corporate governance...” 2004

Коммерсант.ru Dmitry Orlov is included in top10 of the best bank's managers 2009

# Investment Summary: Bank Vozrozhdenie

## Sound long-term strategy

- Proved and tested in a challenging environment
- Stable revenue generation on any size of the balance sheet
- Sound operating efficiency

## Personal Bank for individuals and corporate clients

- Loyal clientele due to strong relationships with the customers
- 60% of client base concentrated in Moscow Oblast
- Corporate focused on SME – the most profitable segment
- Business diversity and flexibility

## Current Challenges

- Ongoing pressure on lending rates
- Limited demand from key client sector – SME
- Still high potential credit risk

## High risk management and corporate governance standards

- №1 in Information Transparency to Shareholders by S&P (2007&2006)
- Moody's Ba3 (Stable) confirmed in Jul'10, S&P sticks to B+ (Positive) confirmed in Oct'10
- Constantly growing role of the Board of Directors with active HR & Compensation and Audit Committees run by independent directors
- Positive track-record of communication with investors



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The Bank cautions you that these statements are not guarantees of future performance and involve risks, uncertainties and other important factors that we cannot predict with certainty. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecasted in the forward-looking statements. These forward-looking statements speak only as at the date of this presentation and are subject to change without notice. We do not intend to update these statements to make them conform with actual results.

The Bank is not responsible for statements and forward-looking statements including the following information:

- assessment of the Bank's future operating and financial results as well as forecasts of the present value of future cash flows and related factors;
- 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;
- the Bank's expectations as to regulatory changes and assessment of impact of regulatory initiatives on the Bank's activity.

Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include:

- risks relating to changes in political, economic and social conditions in Russia as well as changes in global economic conditions;
- 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.

Many of these factors are beyond the Bank's ability to control and predict. Given these and other uncertainties the Bank cautions not to place undue reliance on any of the forward-looking statements contained herein or otherwise.

The Bank does not undertake any obligations to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable laws.