



**VOZROZHDENIE  
BANK**

THE BANK THAT IS ALWAYS WITH YOU

# Bank Vozrozhdenie

## Transition period: thorny road out of crisis



**J.P. Morgan Russian Banks, Metals & Mining Investor Seminar**  
November 2010

This page is intentionally left blank

# Agenda

**Business model**

**Asset quality evolution**

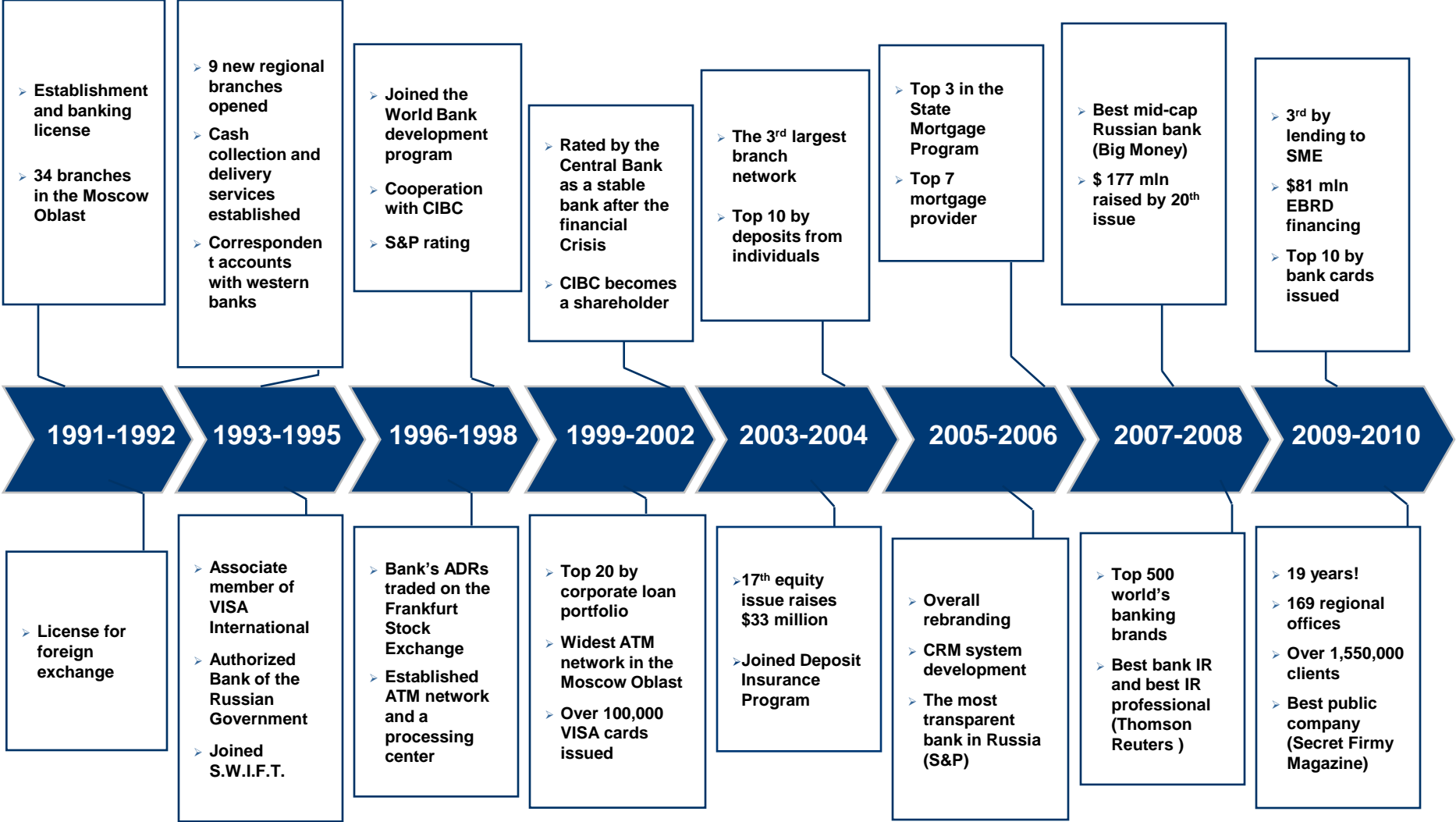
**Key targets**

**Liabilities, liquidity and capital management**

**Recent IFRS results**

**Capital structure and corporate governance**

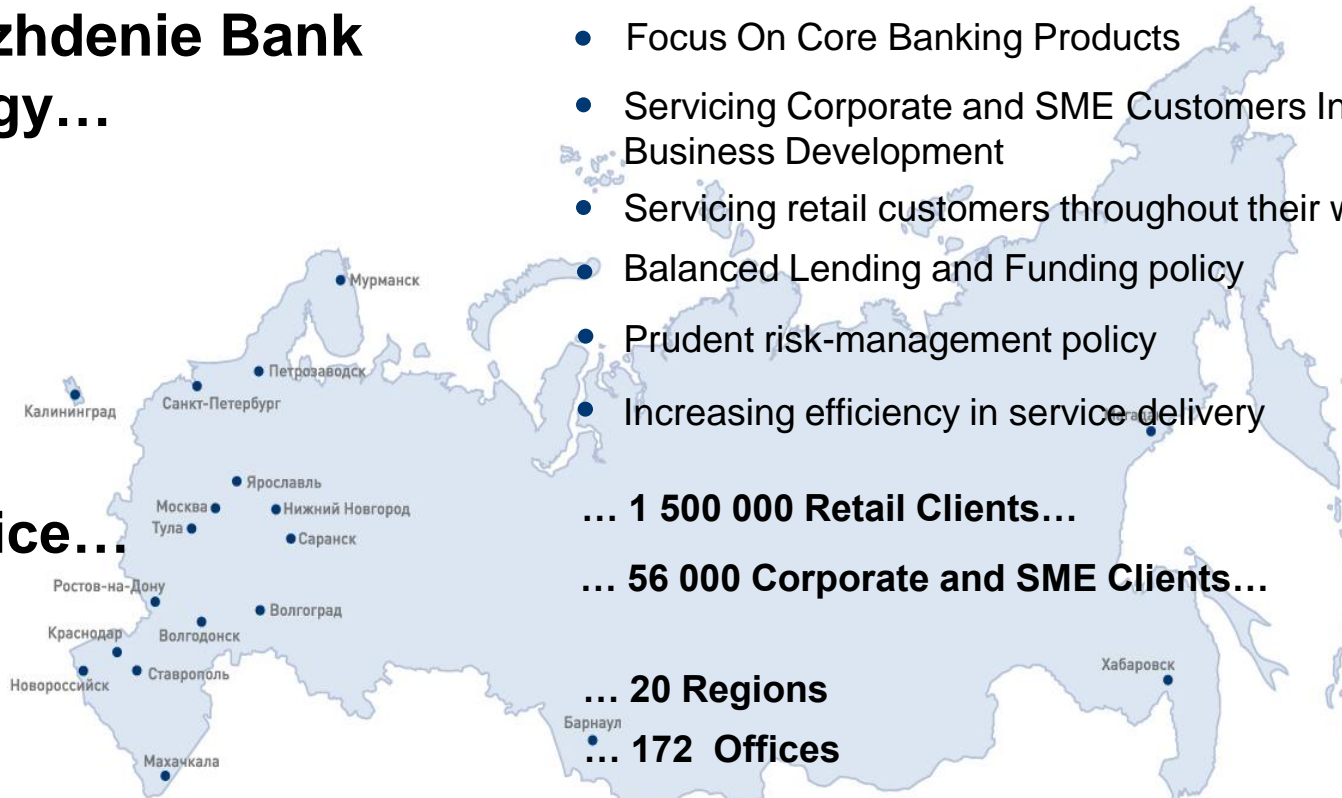
# Over 19 years of successful development.



# 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...

... 56 000 Corporate and SME Clients...

... 20 Regions

... 172 Offices

... 715 ATMs

... 6 136 employees



**VOZROZHDENIE  
BANK**

# Distribution network

As of 20.09.2010



Moscow Oblast is a home territory with historically strong market position

Branches	Sub branches	Retail offices	Total
37	39	33	109



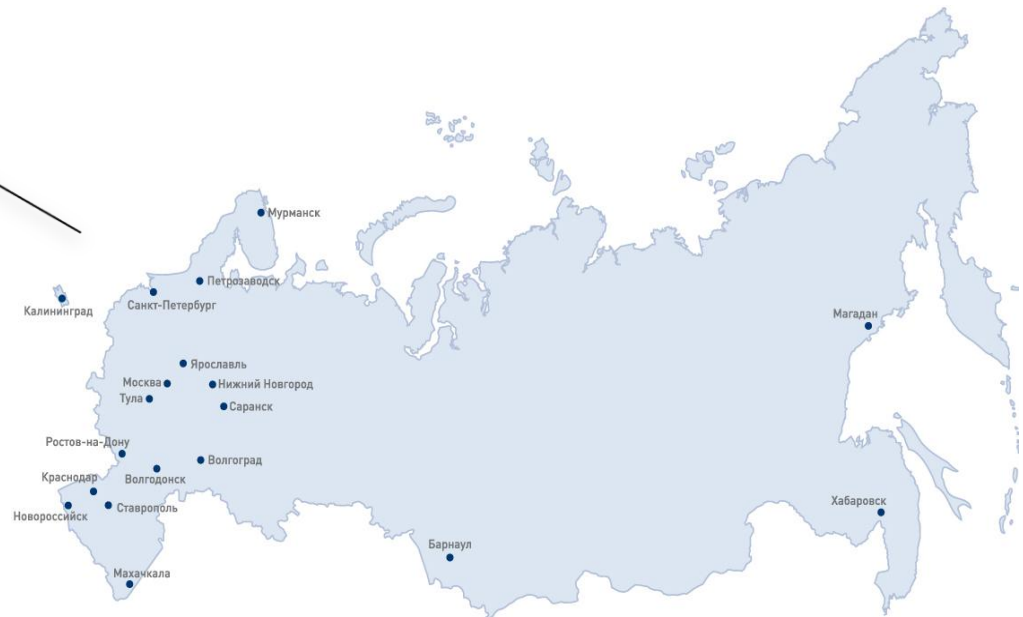
443 ATMs – every town is under coverage

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

Branches	Sub branches	Retail offices	Representative offices	Total
18	38	6	1	63



272 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	56,000
Headcount	6,136
Offices	172
ATMs	715

## 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

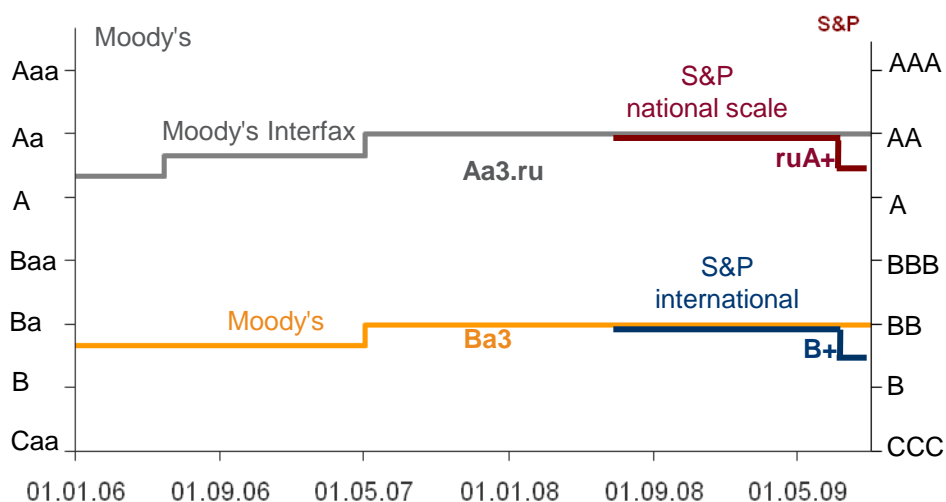
## Credit ratings

Moody's

Ba3/D-/NP, negative

Standard&Poor's

B+/ruA+, stable



## Listing

Included in indexes

MICEX Financial Index, RTS\*

Listing

A2 MICEX

\*Since 15.09.2010

## 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

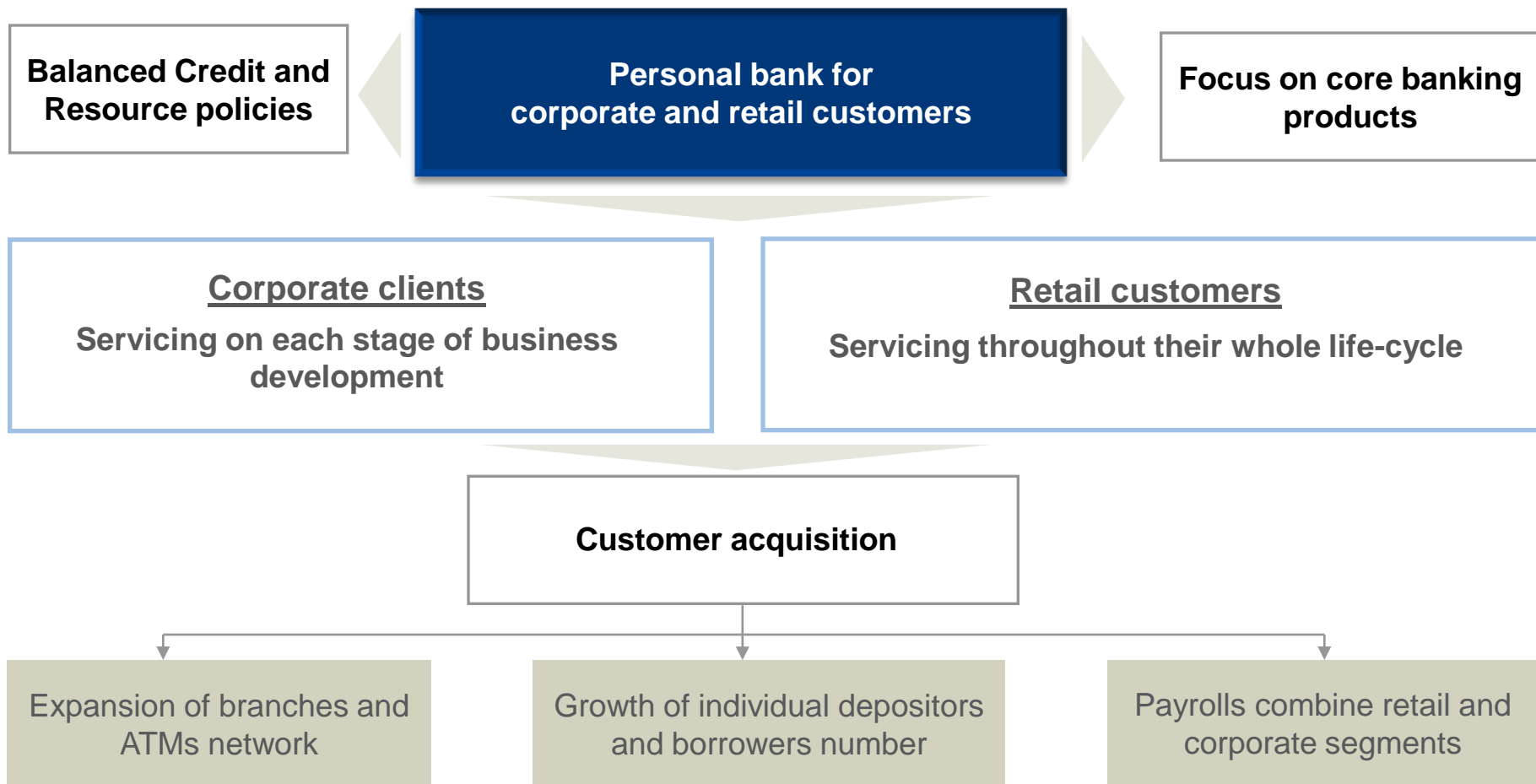


# Business model



VOZROZHDENIE  
BANK

# Market strategy

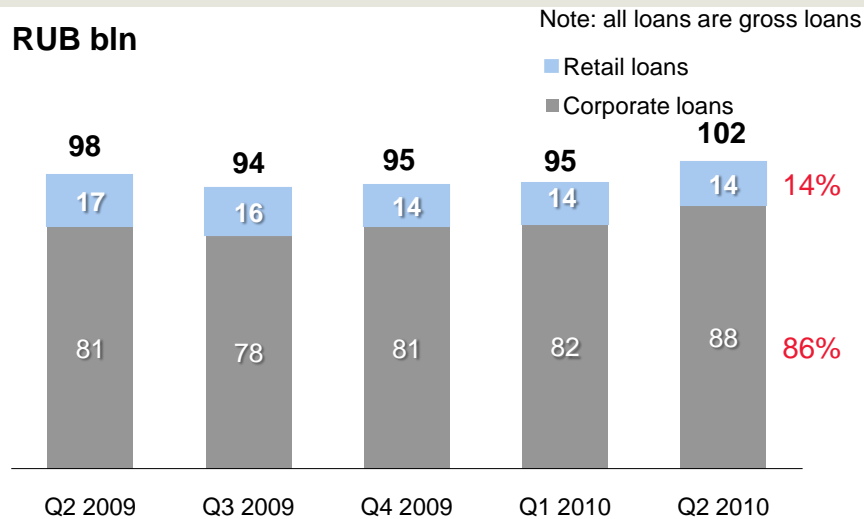


# Business model

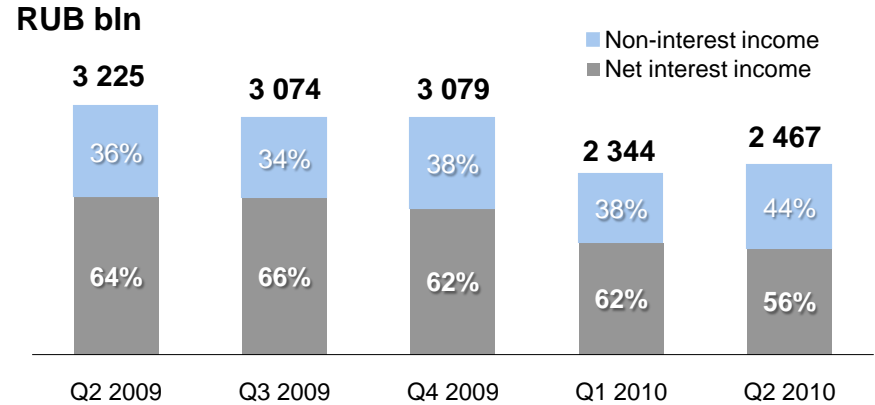
## Business based on relationships...

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

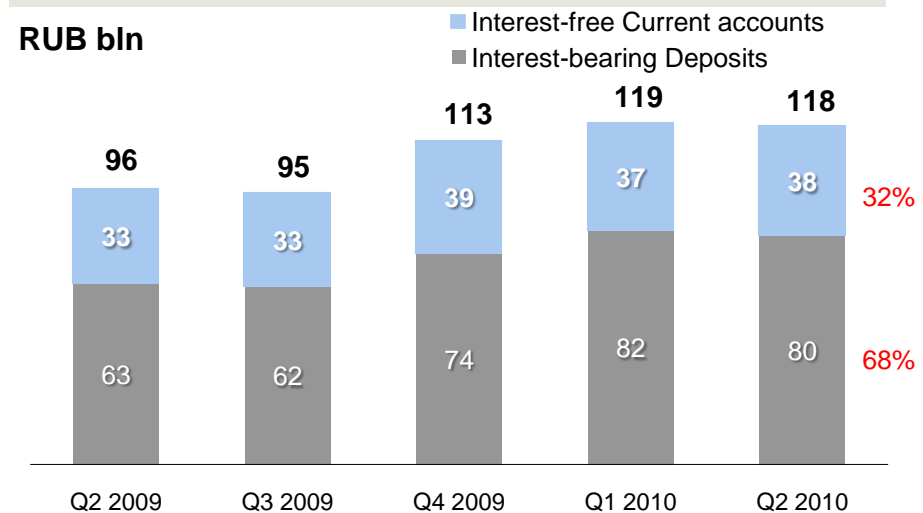
## Loan portfolio development...



## ... gives strong non-interest income

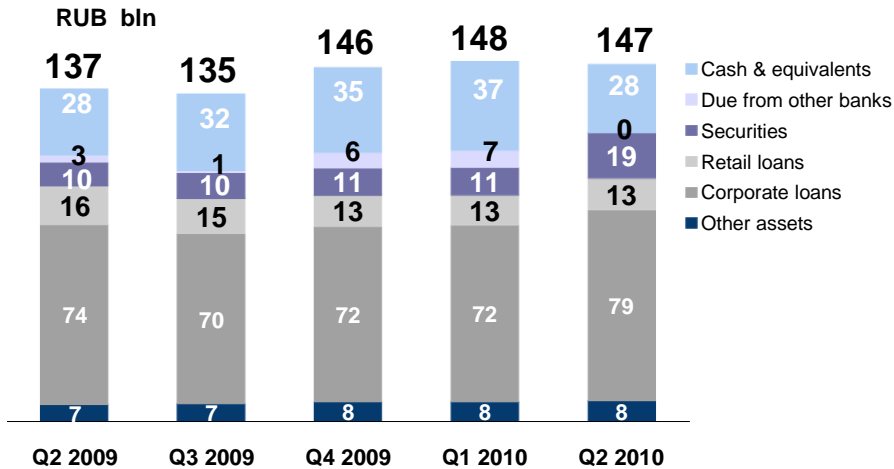


## ... funded by customer accounts

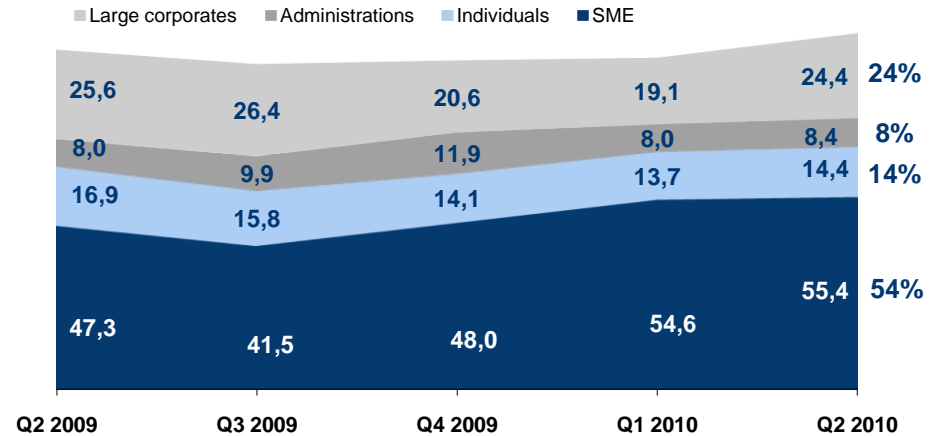


# Assets: IEA increase supported by loans and securities

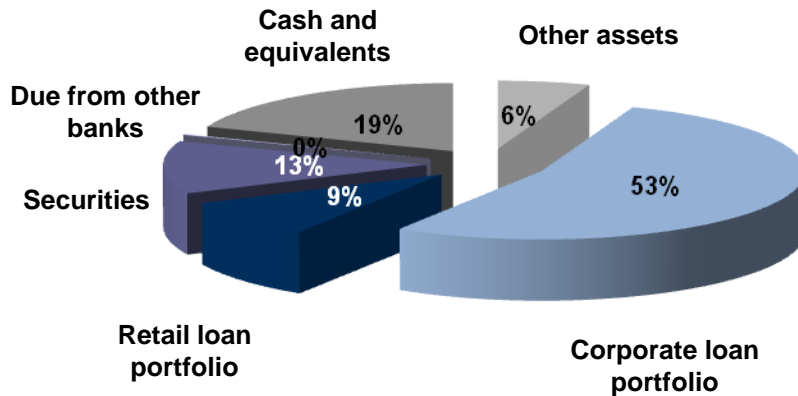
## Loan portfolio growth accelerated...



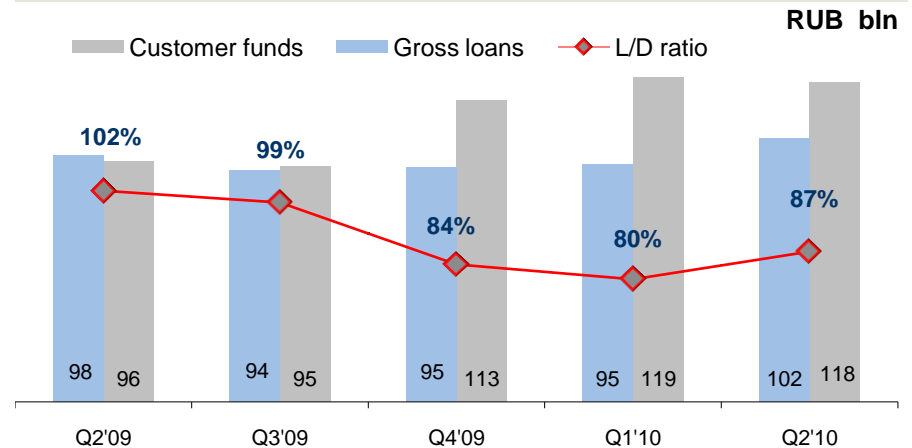
## ...driven by corporate lending programs



## The share of IEA increased to 75% of total assets

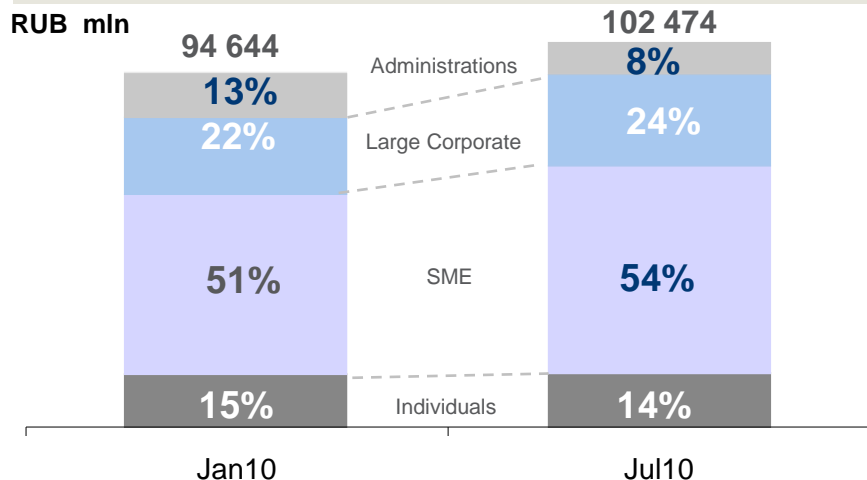


## Strong liquidity supports further growth



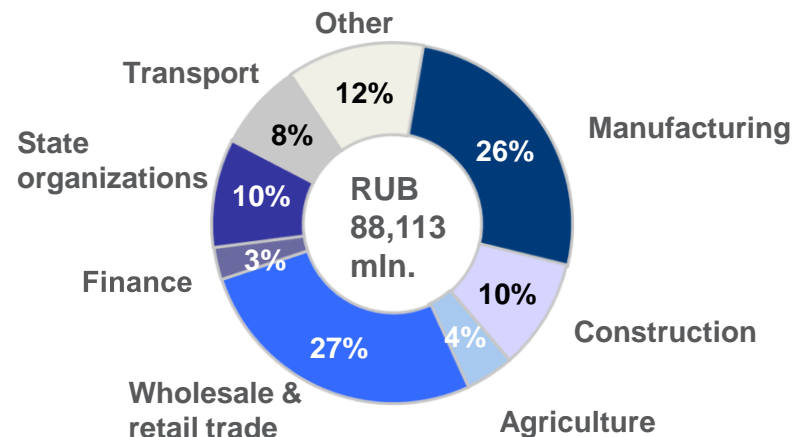
# Loans and advances

## Focus back to SMEs



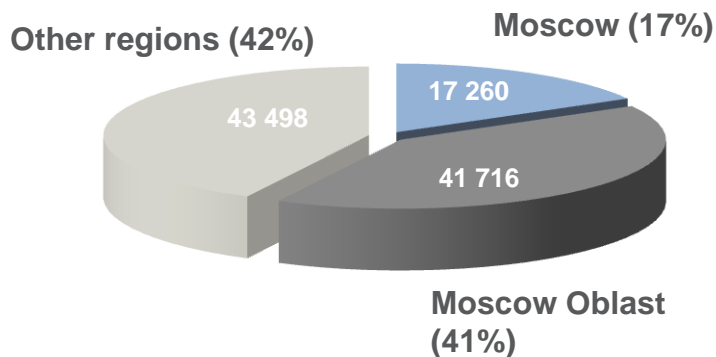
## Strong industry diversification

\*as of 01.07.2010



## Loans and advances by geography

\*as of 01.07.2010



## 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.



**VOZROZHDENIE  
BANK**

# 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.**

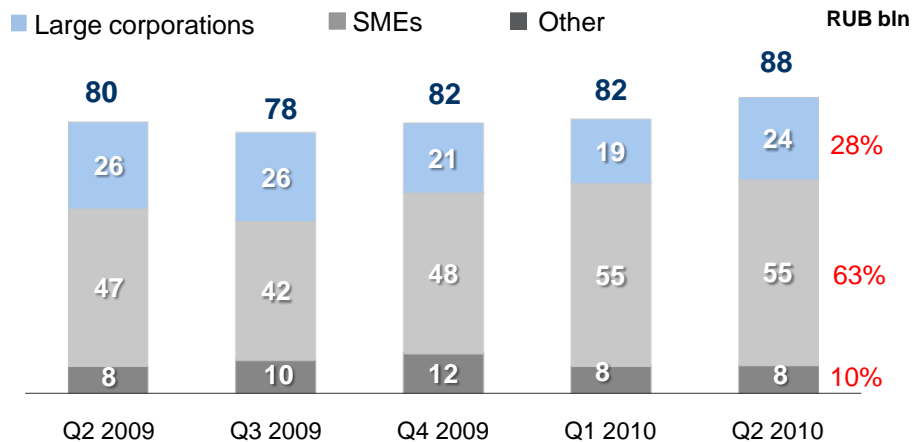


**Food retailers– small chains of handy stores “Close-to-House” style for daily shopping located in dormitory area with high density of population.**

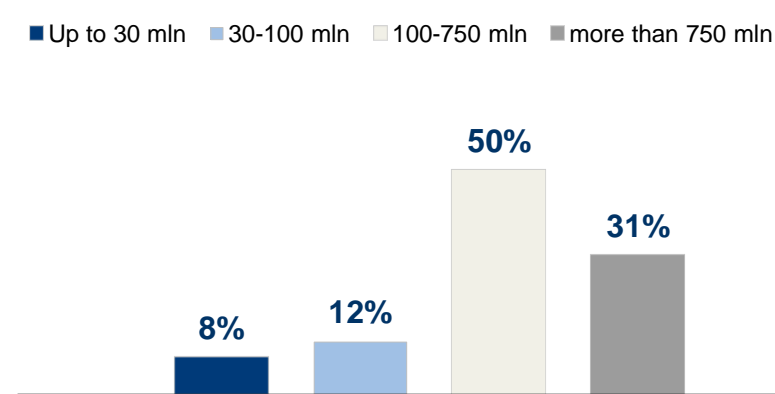


# Corporate business

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

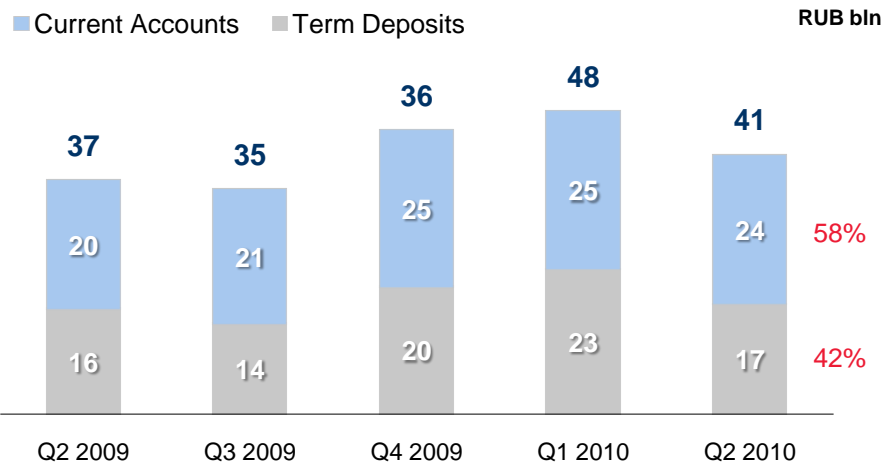


## ...with 70% of loans less than RUB 0.75 bln

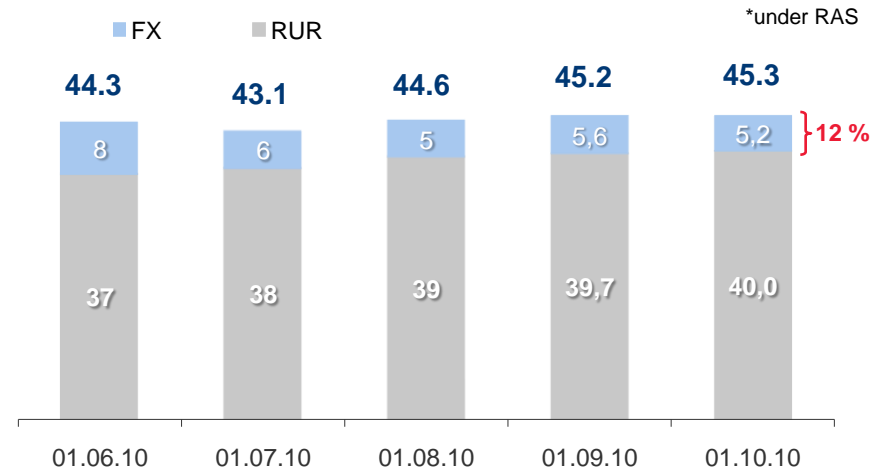


Data as of 01.07.2010

## Corporate funding...



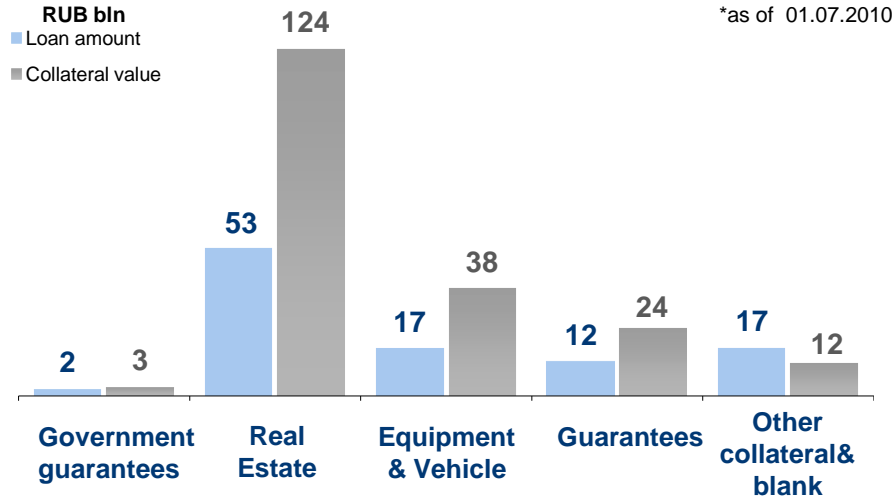
## ...mostly nominated in RUB



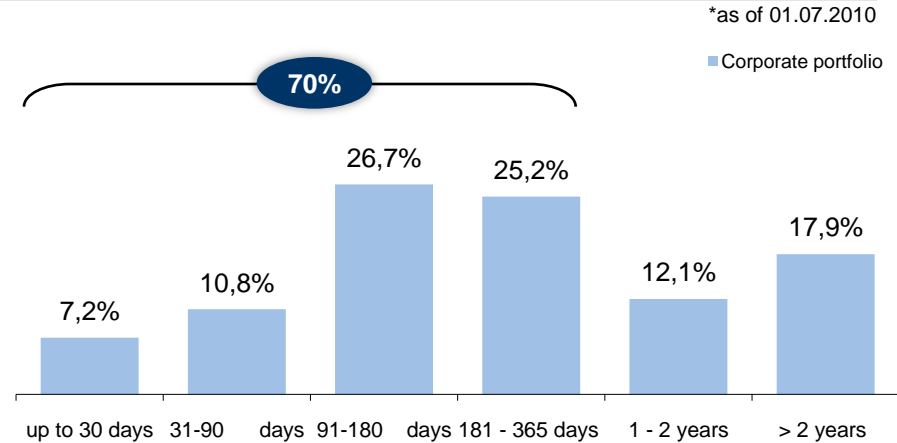
**VOZROZHDENIE  
BANK**

# Conservative risk profile

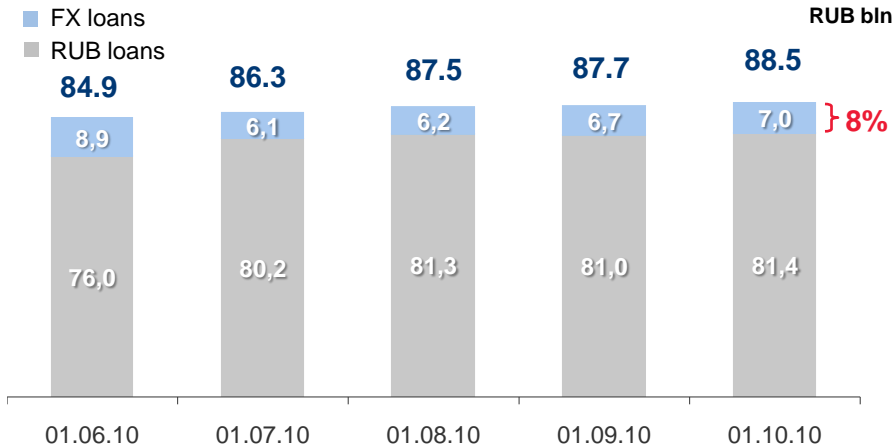
## Credit policy sticks to reliable collateral...



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



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



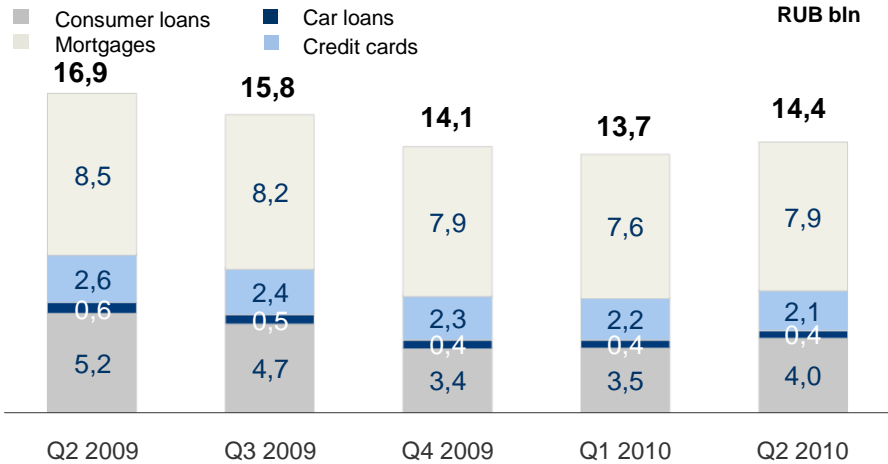
## Key points

- Average LTV of the portfolio is 58%\* mostly collateralized by solid real-estate, equipment and vehicles (69% 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 – 70% 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

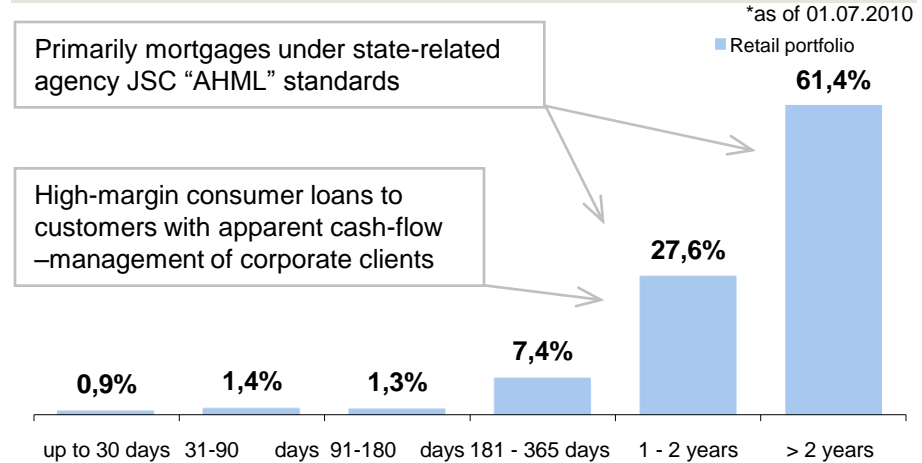
\*Guarantees are not taken into account

# Retail lending – promising segment after crisis

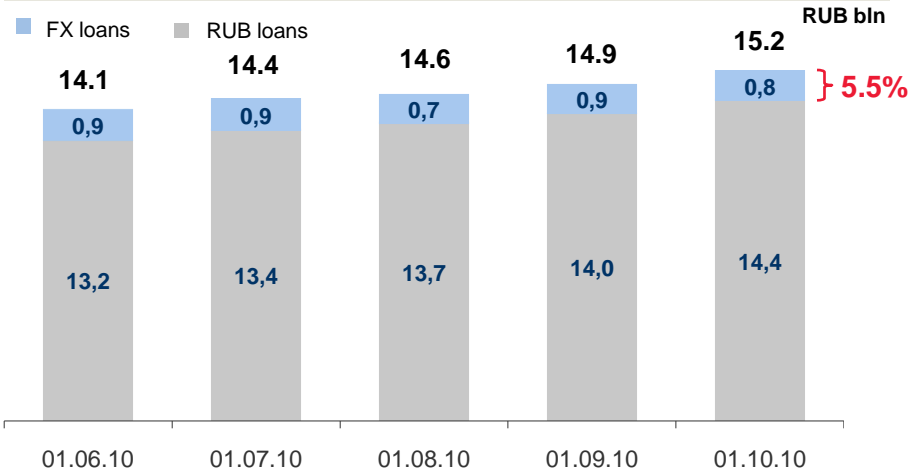
## Retail loan book changes (IFRS)



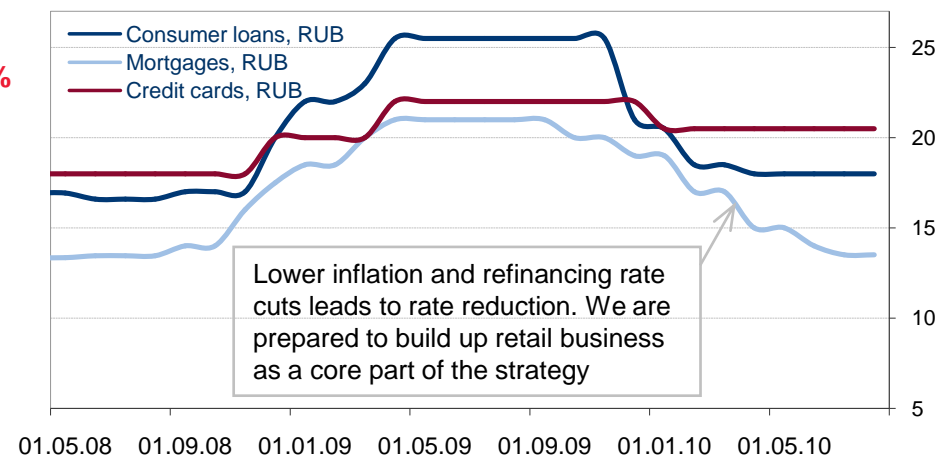
## Retail loans maturity



## Currency breakdown (RAS)

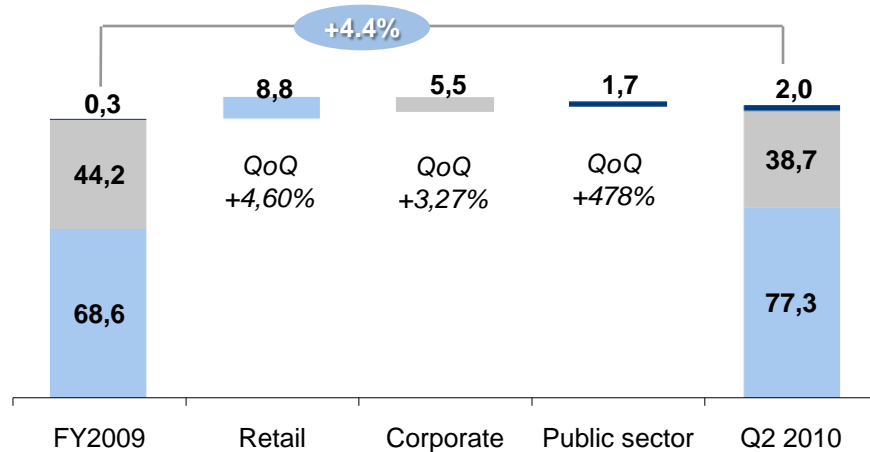


## Rates for retail loans



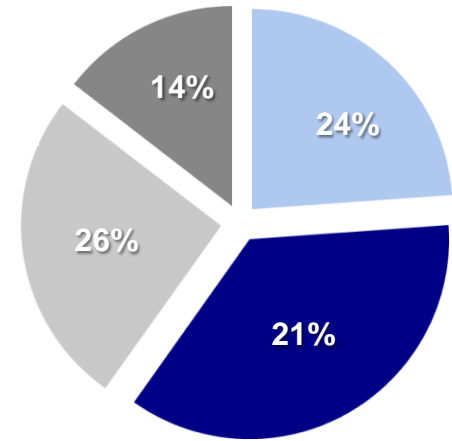
# Individual deposits – core part of liabilities

## Customer deposits development

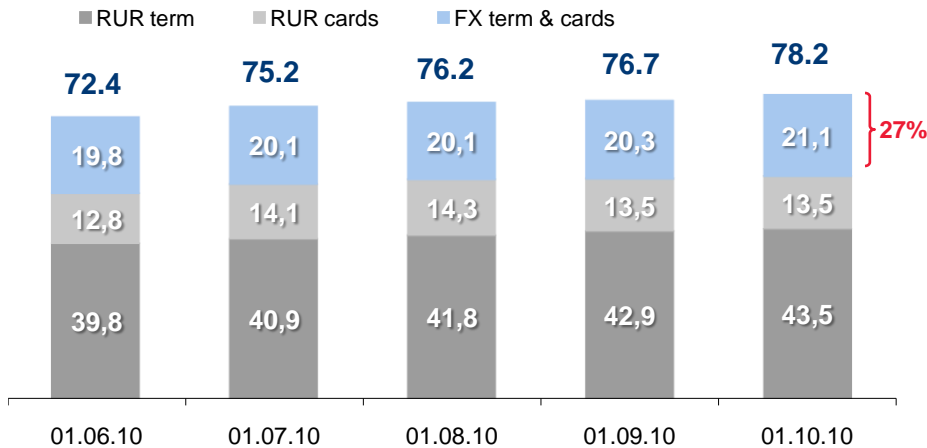


## Individual deposits maturity

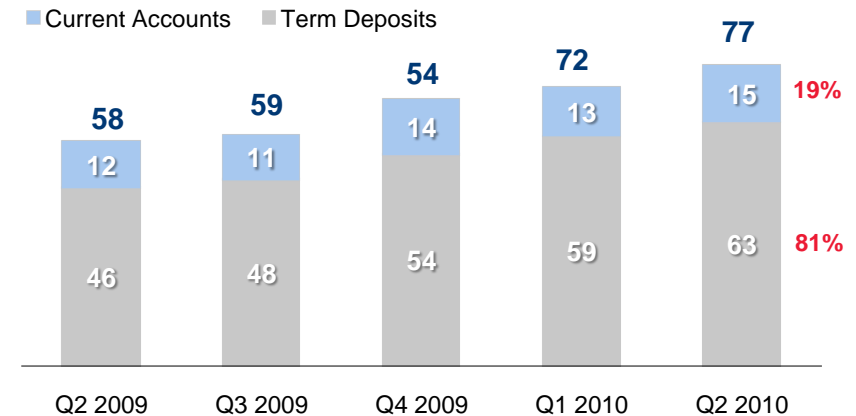
- Less than 1 month
- 1-6 months
- 6-12 months
- Over 12 months



## Retail currency breakdown (RAS)

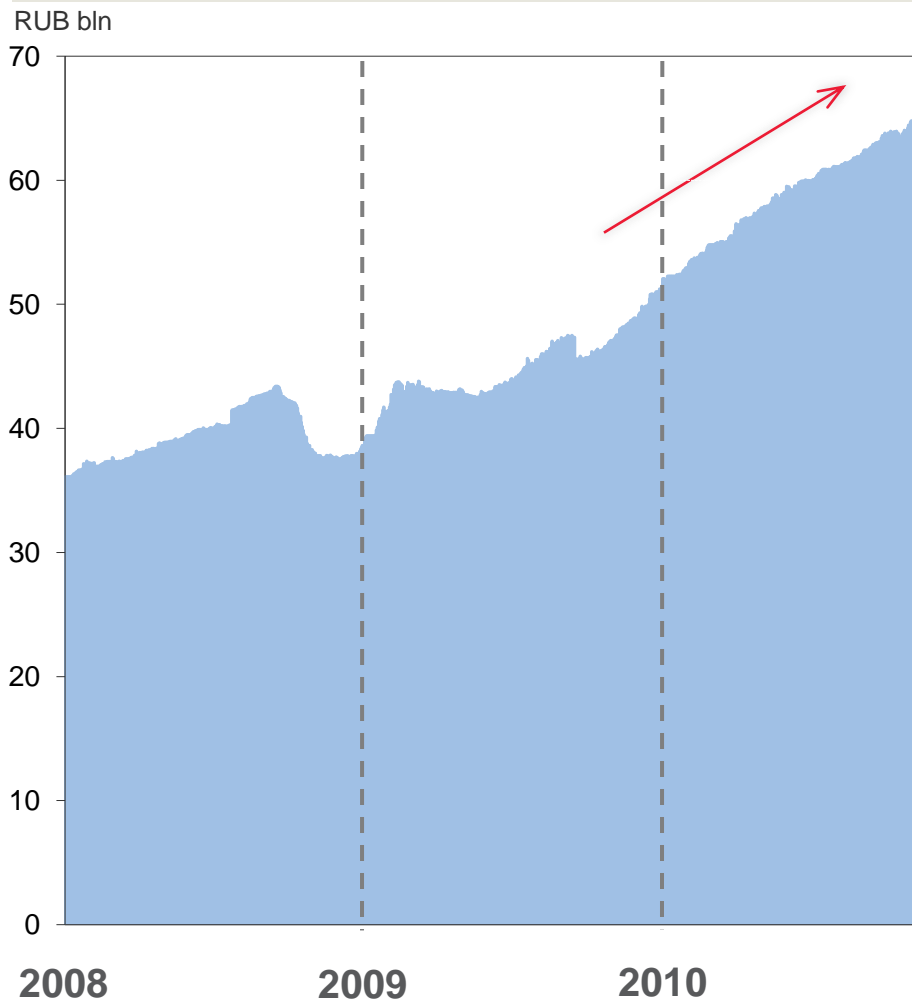


## Retail funding

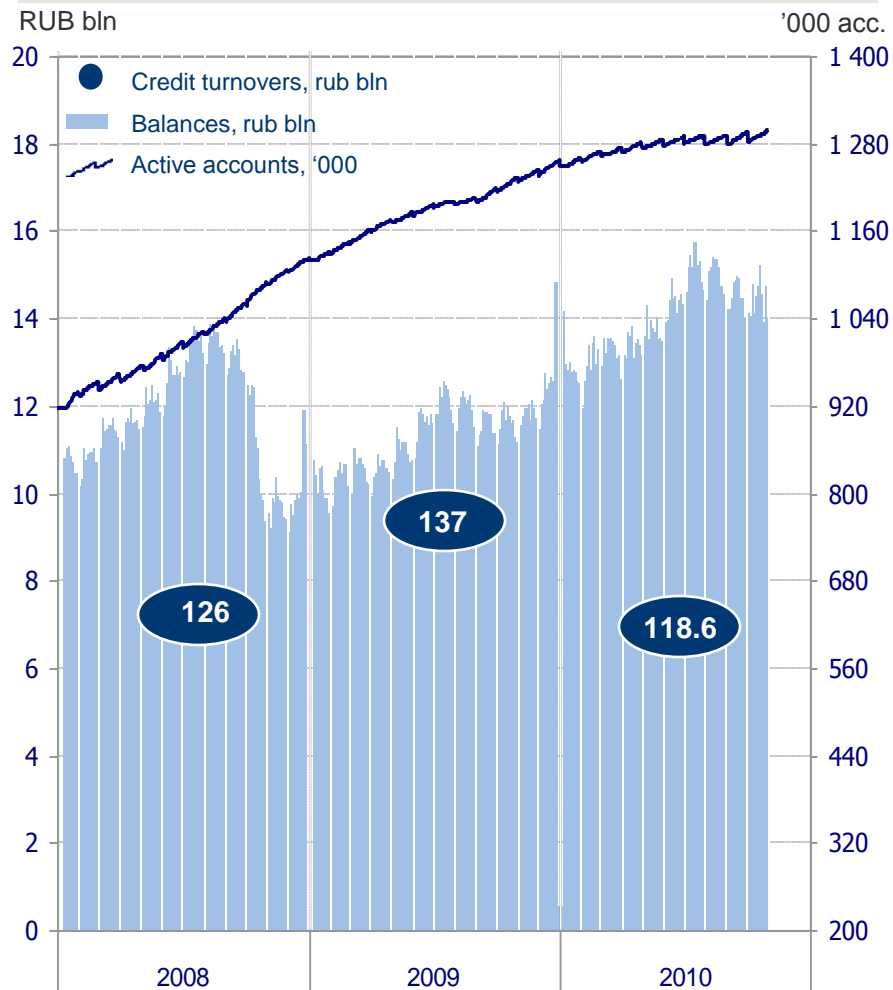


# Individual deposits – base for growth resumption

## Retail term deposits and accounts



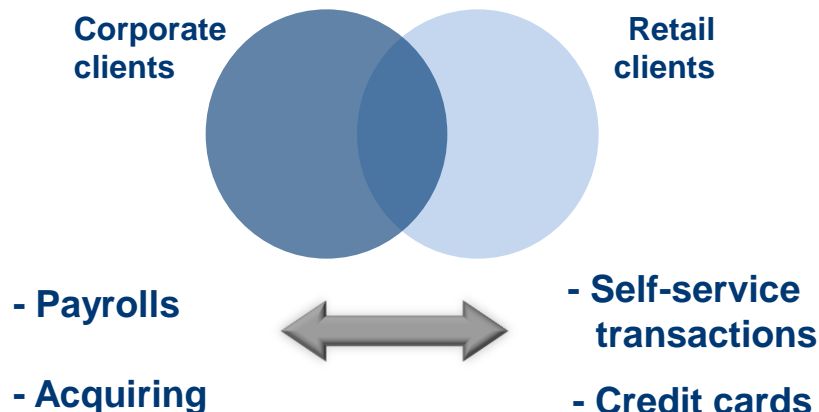
## Card accounts



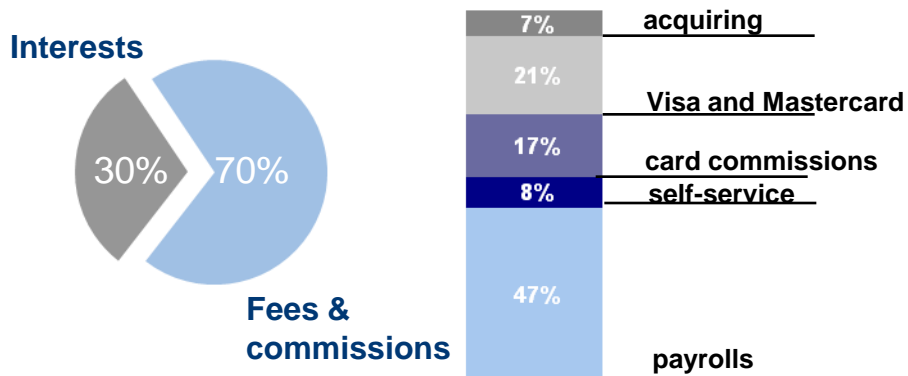
VOZROZHDENIE  
BANK

# 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

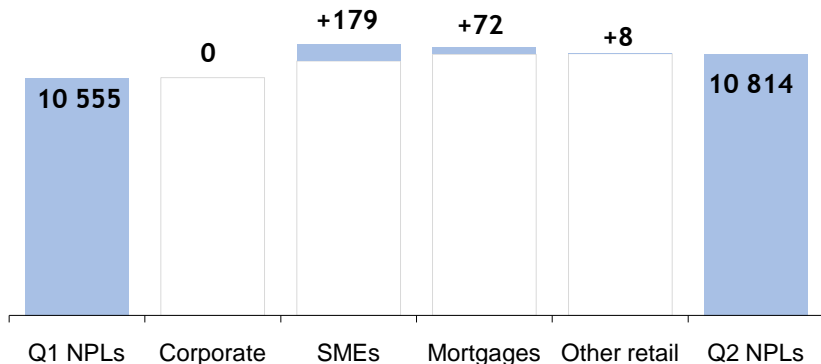


VOZROZHDENIE  
BANK

# Credit quality management

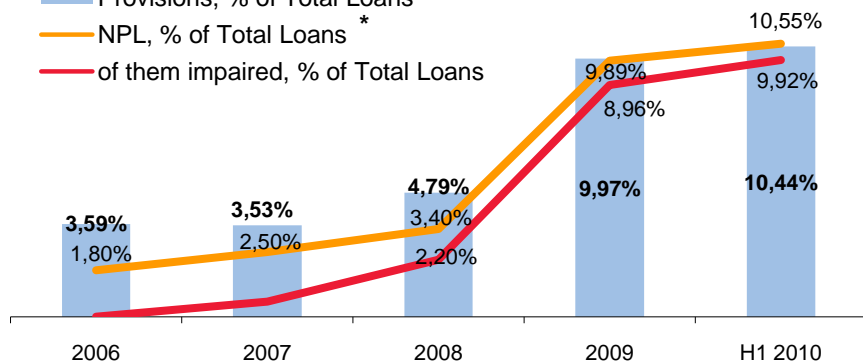
## NPLs development

mln RUB



## NPL Coverage ratio

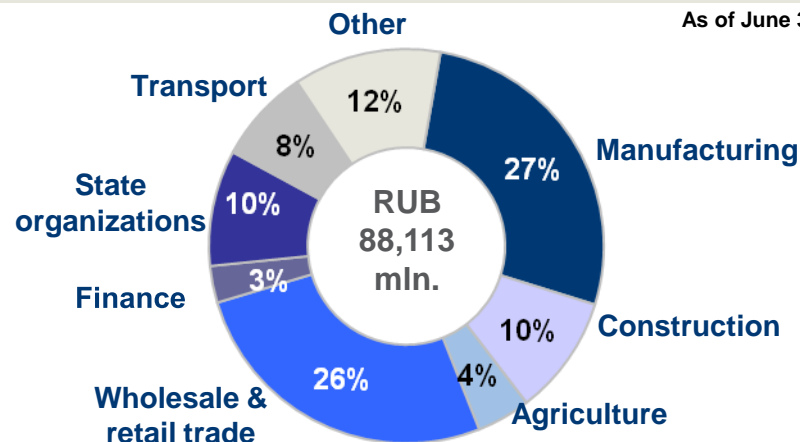
- Provisions, % of Total Loans
- NPL, % of Total Loans \*
- of them impaired, % of Total Loans



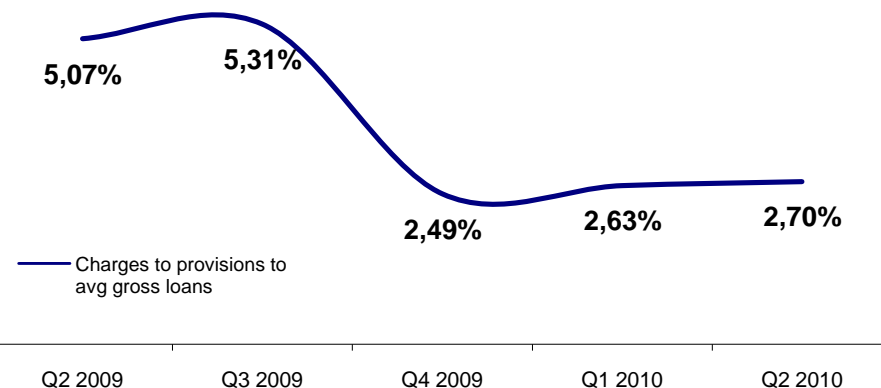
\* NPL includes the whole principal of loans at least one day overdue either on principal or interest

## Diversification by industry

As of June 30, 2010



## Annualized cost of risk



# Credit quality

as of 30.06.2010	Large corporate	SMEs	Mortgages	Other retail	Total	% of total loans
<b>Gross loans, including</b>	26,341	61,772	7,877	6,484	102,474	100.0%
Current loans	25,491	53,167	7,153	5,849	91,660	89.45%
Past-due but not impaired, of them	0	16	505	128	649	0.63%
Less than 90 days	-	16	411	128	555	0.54%
Over 90 days	-	-	94	-	94	0.09%
Impaired, of them	850	8,589	219	507	10,165	9.92%
Less than 90 days	-	2,345	-	15	2,360	2.30%
Over 90 days	850	6,244	219	492	7,805	7.62%
<b>Total NPLs</b>	850	8,605	724	635	10,814	10.55%
<b>Provisions</b>	- 1,675	- 7,979	- 443	- 597	-10,694	10.44%
<b>Net Loans</b>	24,666	53,793	7,434	5,887	91,780	-

**Provisions to NPLs Ratio**

**99%**

**Provisions to 90+ days NPLs**

**135%**

**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

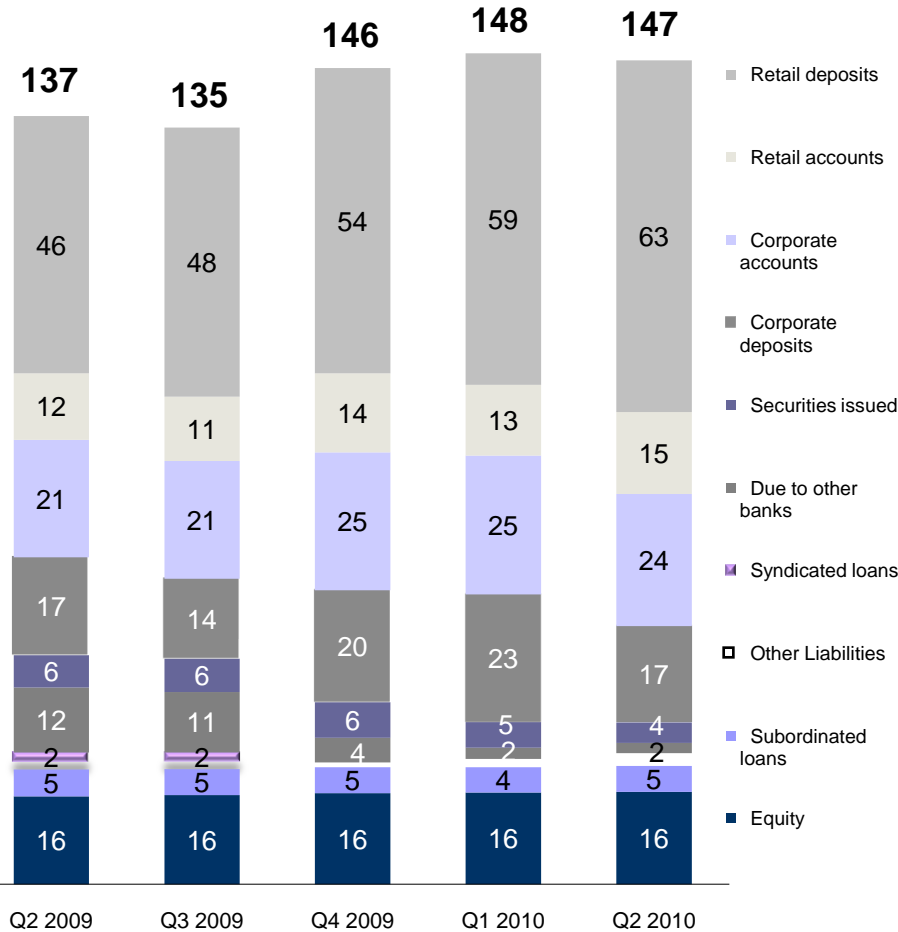


VOZROZHDENIE  
BANK

# Liabilities: Ongoing efforts on optimizing funding costs

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

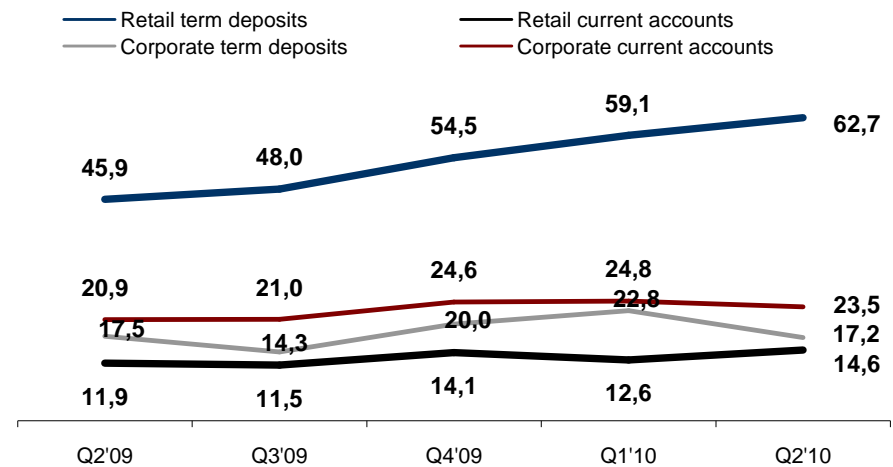
RUB bln



...with growing share of interest - free sources

	Q2 2010	Q1 2010	Q2 2009
<b>Customer accounts to liabilities</b>	<b>90.5%</b>	<b>90.5%</b>	<b>79.2%</b>
- <i>Customer deposits</i>	<b>61.3%</b>	<b>62.1%</b>	<b>52.2%</b>
- <i>Current accounts</i>	<b>29.2%</b>	<b>28.4%</b>	<b>27.0%</b>
<b>Equity to total assets</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>
<b>Liabilities to equity</b>	<b>7.9</b>	<b>8.0</b>	<b>7.7</b>

Deposit inflow supports liabilities re-pricing

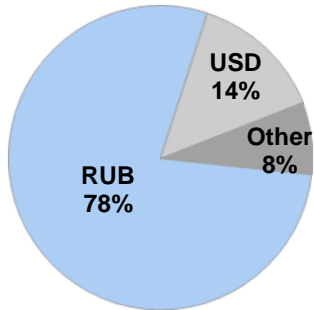


**VOZROZHDENIE  
BANK**

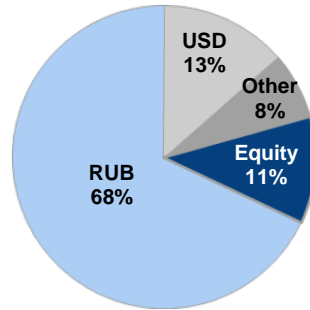
# Currency and gap management, capital adequacy

## No mismatches on the balance-sheet\*

### Assets

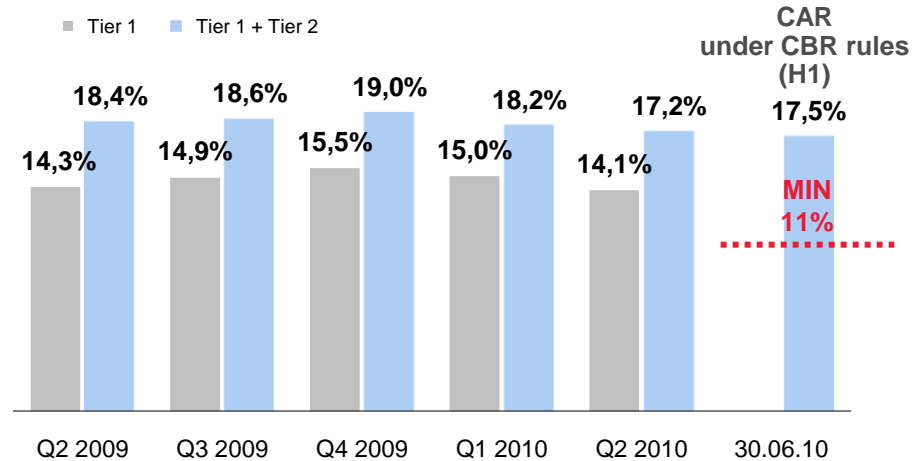


### Liabilities

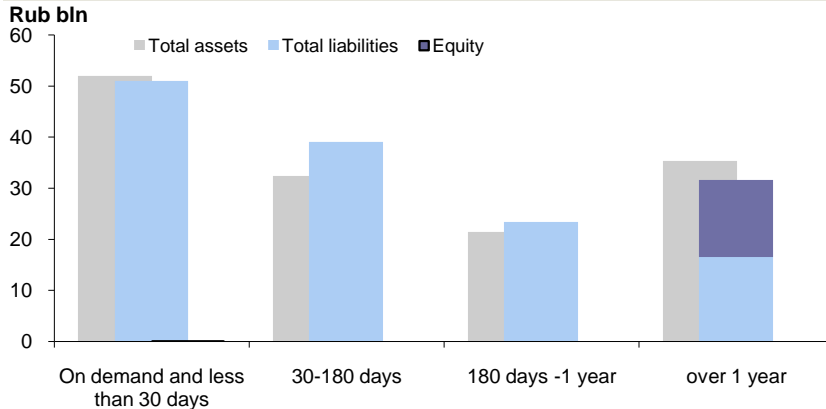


\* Only monetary assets and liabilities are taken into account

## Strong capital position



## Maturity gap\*\*



\*\* Based on discounted cash flows

## Key points

The bank's capital position of 14.1% Tier 1 and CAR of 17.2% remains comfortable anticipating future growth

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

Ongoing re-pricing of liabilities leads to balanced maturity structure with the largest gap of RUB 6.9 bln (30-180 days)

# Recent IFRS results



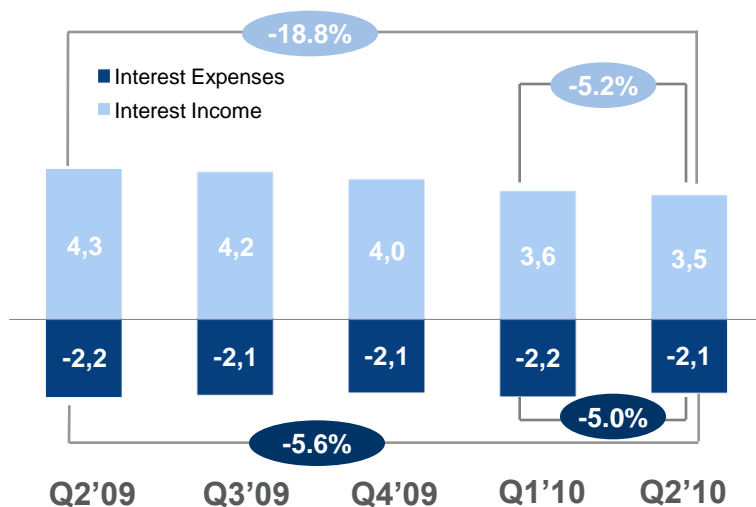
VOZROZHDENIE  
BANK

# H1 2010 Financial highlights

	Q2 2010	Q1 2010	Change Q-o-Q
Total Deposits, of them	118,075	119,256	-1.0%
<i>Retail deposits</i>	77,339	71,717	+7.8%
Net Loans	91,780	85,387	+7.5%
Loans to Deposits ratio	86.8%	80.0%	+6.8 p.p.
NPLs ratio	10.6%	11.1%	- 0.5 p.p.
Net Profit	121	97	+25%
Total Operating Income b.p.	2,467	2,344	+5.2%
Total Operating Costs, of them	-1,679	- 1,531	+9.7%
<i>Personnel expenses</i>	-893	-871	+2.5%
Cost to Income ratio	68.1%	65.3%	+2.8 p.p.
Capital Adequacy	17.2%	18.2%	

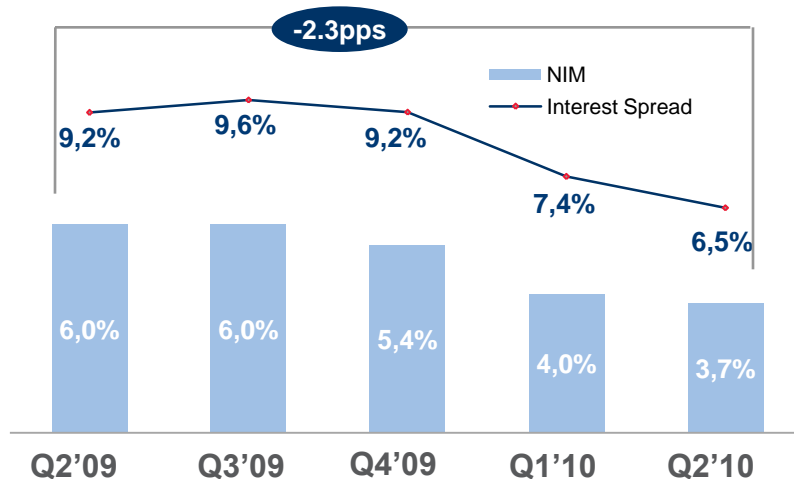
# Stabilized NIM on the back of loan growth and reduction of funding costs

## Interest Income and Interest Expenses, RUB bln



- Continued drop in yields due to loans re-pricing to the current market level was partially offset by interests received from new lending which significantly accelerated in the second quarter. As a result interest income fell only by 5.2% QoQ.
- First results of efforts on funding costs optimization were delivered in the second quarter. Interest expenses were down 5% QoQ resulting from re-pricing of retail deposit book on the back of continued inflow of individual deposits as well as growing share of current accounts (32% of customer funds as of the end of the quarter).

## NIM and Spread evolution

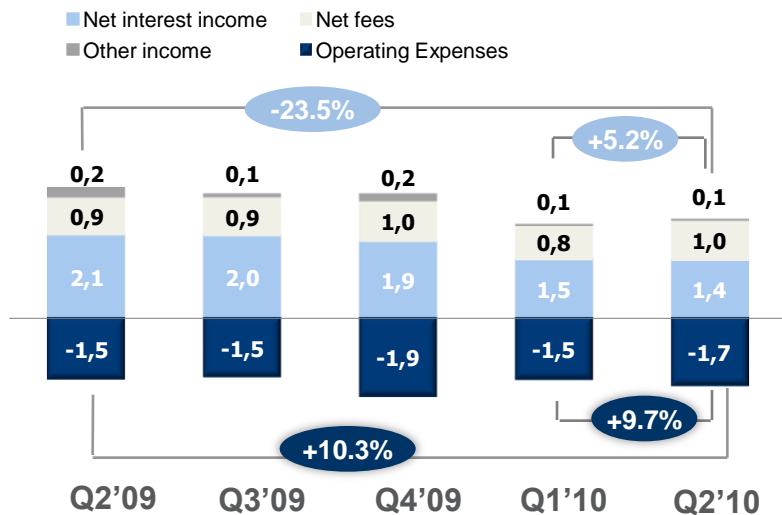


- Despite contraction of interest spread, growth of business volumes allowed us to stabilize NIM in the second quarter at 3.7% versus 4.0% in the previous quarter. Only 26 bps QoQ reduction resulted from robust growth of loan portfolio and lower interest expenses.

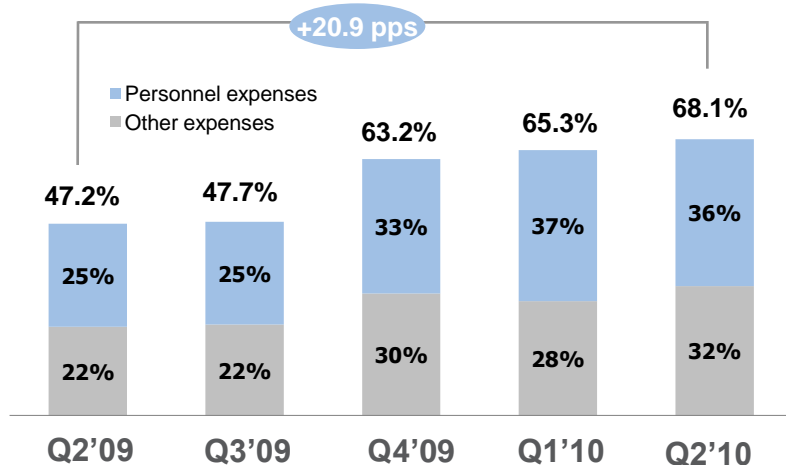


# Revenue improvements driven by stronger fees & commissions

Operating Income and Expenses, RUB bln



Cost to Income before provisions, %



- In the environment of low rates we focused on fee-generating products and managed to increase non-interest income by 22.8% QoQ. This resulted in solid 44% share of non-interest income in total operating income before provisions. Total revenue was up 5.2% QoQ driven by stronger fees from settlements and payrolls coupled with healthy loan growth.

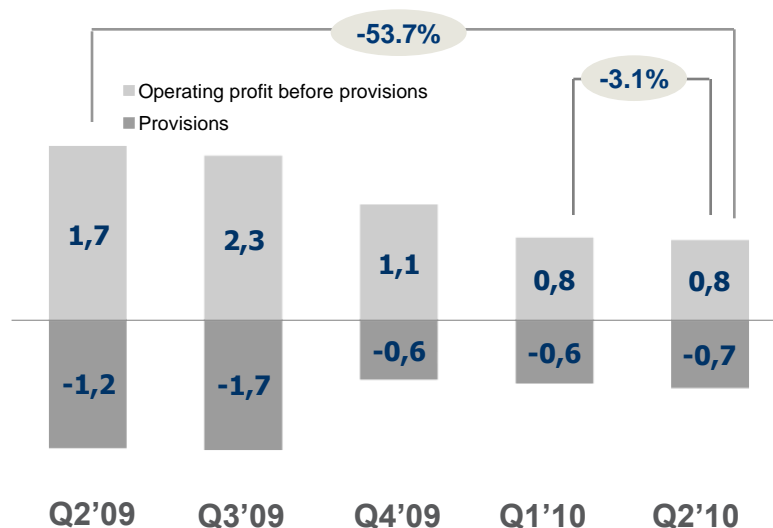
- Operating expenses increased by 9.7% QoQ primarily due to the conducted advertisement campaign and growth in expenses related to IT investments in banking technologies. Personnel expenses were under strict control and grew only by 2,5% QoQ.

- Cost to income ratio increased by 2.8 pps QoQ due to faster growth of expenses in second quarter and reached 66.7% for H1 2010.



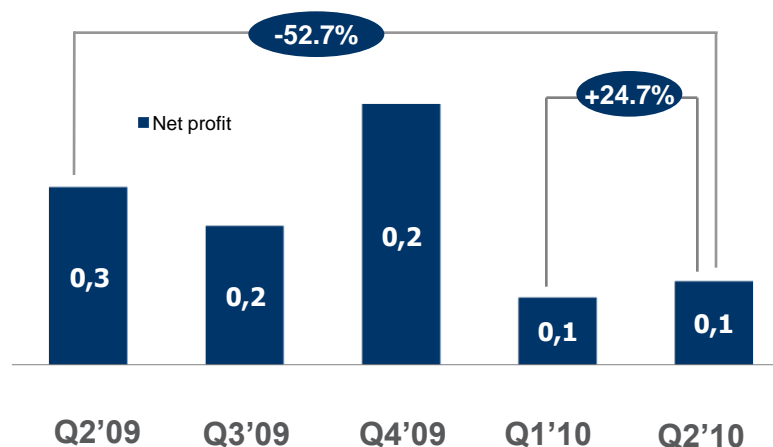
# Consecutive policy of conservative provisioning

Operating profit and provisions, RUB bln



- Cost of risk accounted for 2.7% in the second quarter compared to 2.6% in Q1 due to additional charges to provisions for loan losses on restructured loans expired in Q2. Allowances to provisions amounted to Rub 667 mln in Q2 and this allowed to improve total NPL coverage ratio to 99%. For the NPLs with overdue more than 90 days coverage ratio was at the level of 135%.

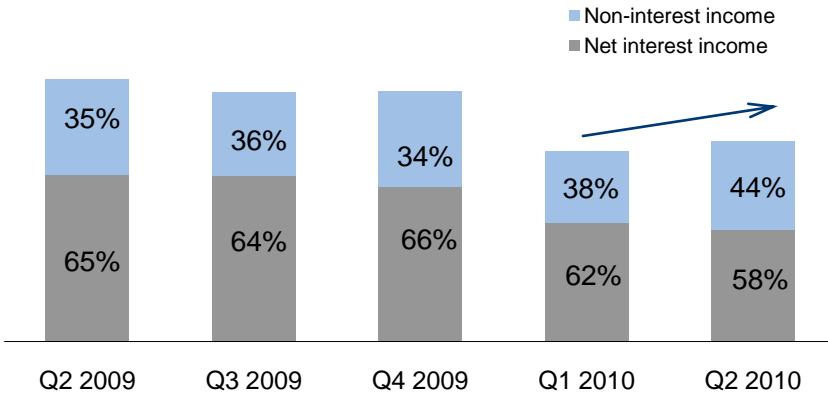
Net profit, RUB bln



- Having consulted with auditors we slightly changed the approach to accounting for deferred tax assets which was the ground for reduction of effective tax rate to the 29% level for H1 in comparison with 48% in Q1. Thus net income grew by 25% QoQ.

# Fee income generation

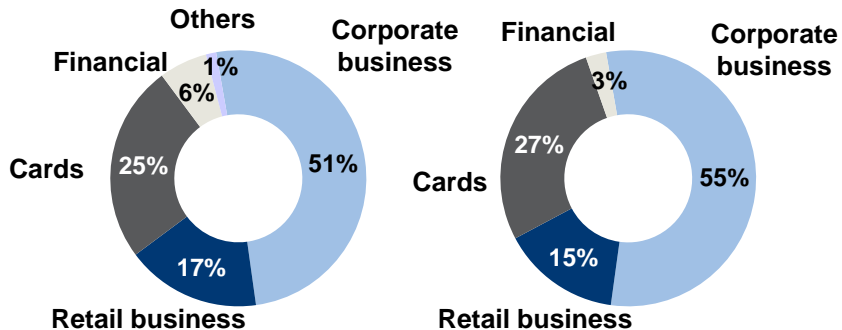
Strong non-interest income based on long-term relations with customers



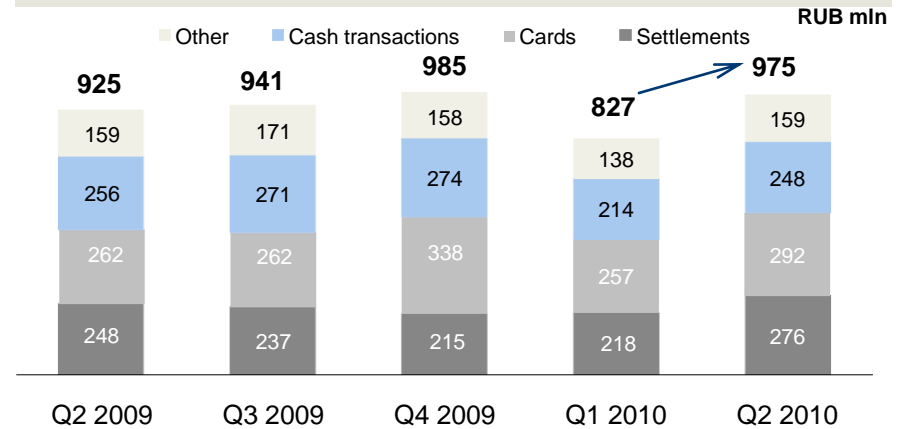
## Fee income breakdown by segments

Q1 2010

Q2 2010



## Net fee income distribution



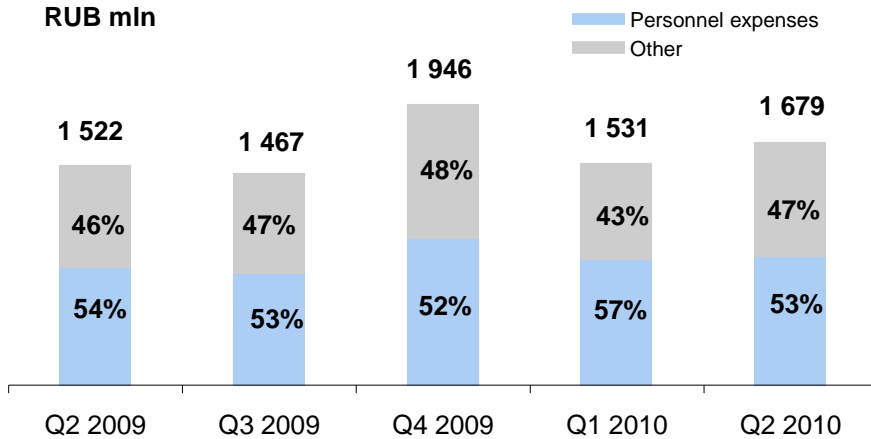
## Key points

Due to falling interest rates environment we focused on enhancing fee-generating banking products and managed to grow the share of non-interest income in total operating income to 44%. 18% fee growth QoQ was mainly driven by payrolls and servicing the settlements of the customers

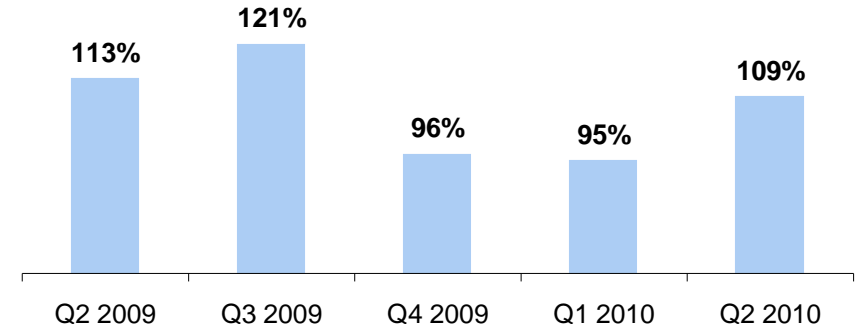
Servicing daily clients' transactions like settlements, money transfer, payments, cash collections is the base for long-term relations with customers. Fee generating products are well diversified across internal businesses and types of banking products

# Strategic approach to cost management

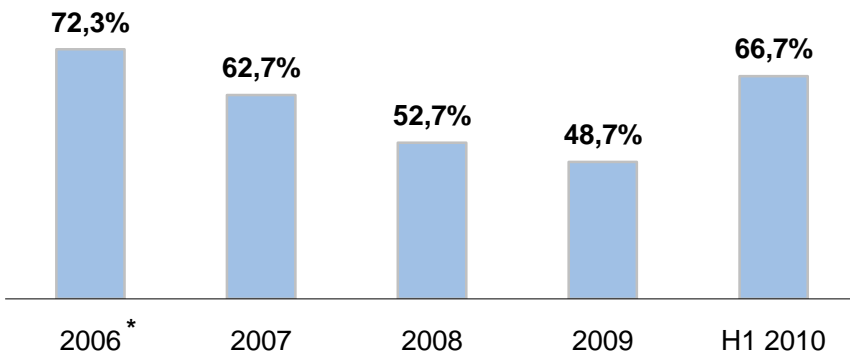
## Operating expenses breakdown



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



## C/I ratio



\*2006 - less extraordinary items

## Costs summary

Due to the increase in fees and commissions in Q2 the bank returned to 100%+ coverage of personnel expenses. Personnel expenses grew only by 2,5% in Q2 and were 109% covered by earned fees and commissions.

Operating expenses grew by 10% q-o-q partially resulted from conducted advertisement campaign and growth in IT investments in banking technologies.

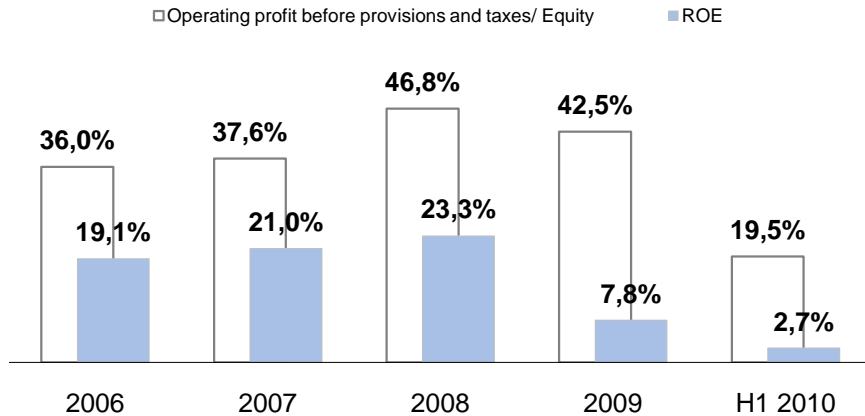
Thus cost to income ratio increased by 270 bps q-o-q due to faster expenses growth.



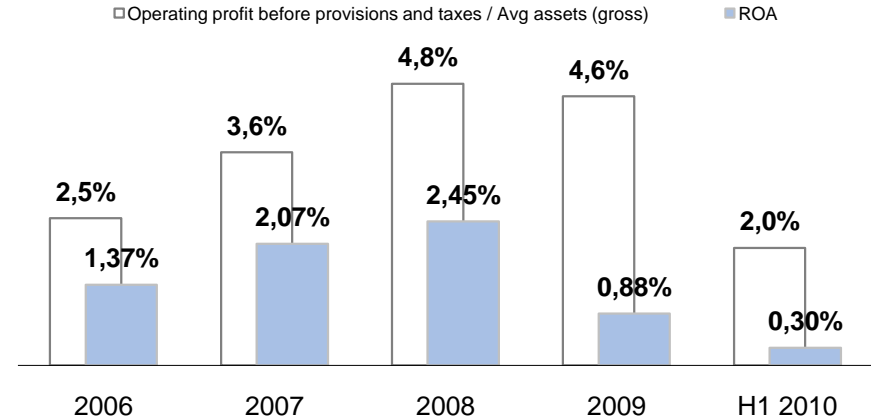
**VOZROZHDENIE  
BANK**

# Earnings generation capability

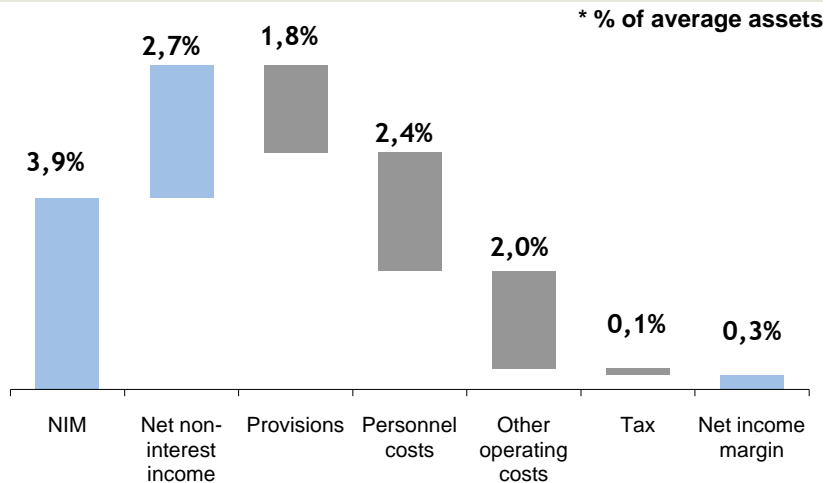
## ROE, %



## ROA, %



## Value generation



## Key points

We are providing sustainable business model which allowed generating value for shareholders despite pressure on profitability.

As of the middle of the year the bank's revenue is supported by improving trends in fees-generating products and revival of loan demand. We have also managed to strengthen our market position in the key market - Moscow Oblast.



**VOZROZHDENIE  
BANK**

# Capital structure and corporate governance

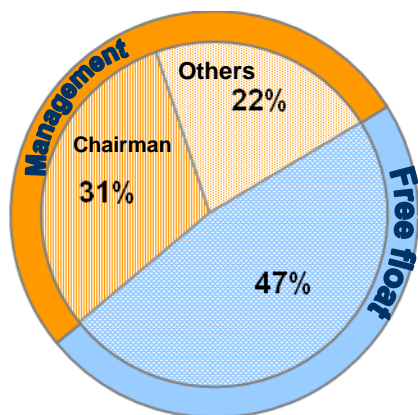


VOZROZHDENIE  
BANK

# Capital structure

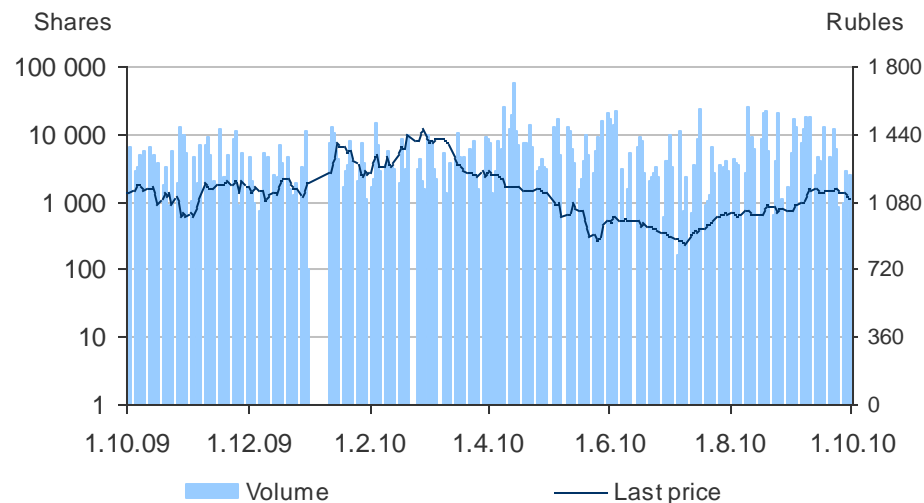
## Shareholding structure

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

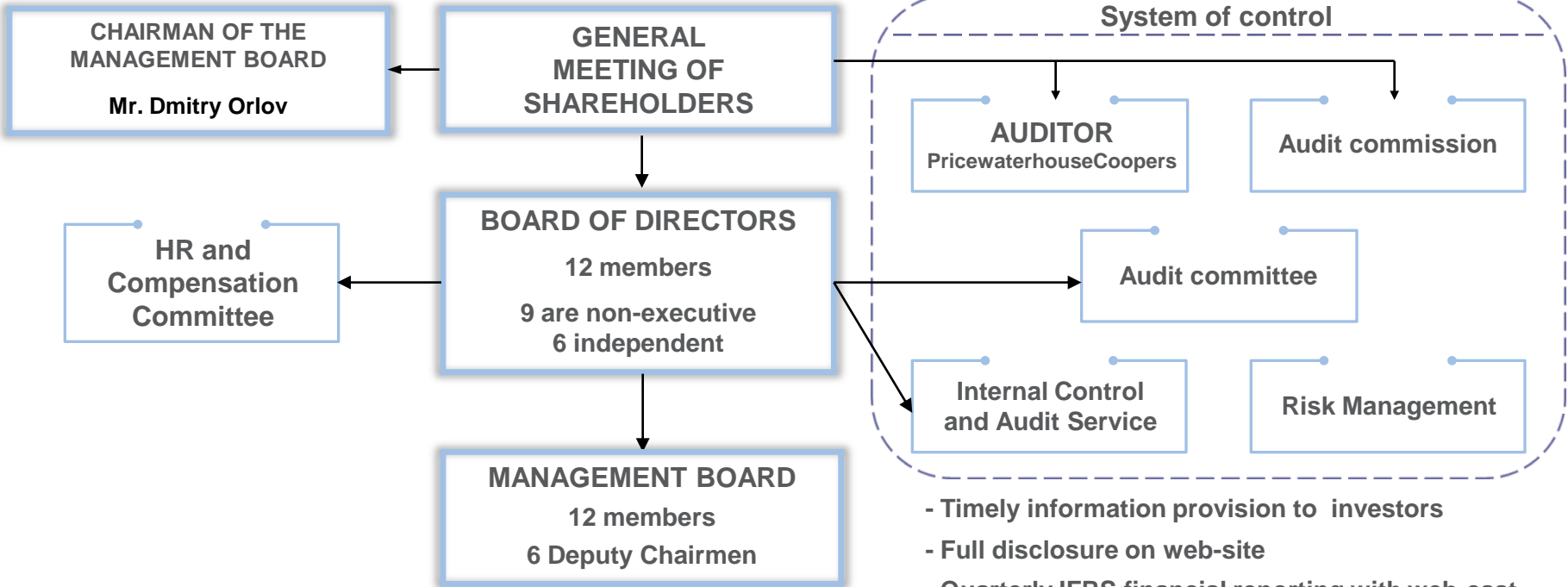
SHAREHOLDER	STAKE IN EQUITY
Dmitry L. Orlov (Chairman)	30.70%
Otar L. Margania (Member of the Board of Directors)	18.65%
JPM International Consumer Holding Inc.	9.37%
Total	58.72%

## Volumes of trading (shares)

	2006	2007	2008	2009	9M 2010
MICEX (from 1/8/2005)	349,130	2,050,384	2,940,351	2,773,910	1,166,520
RTS	167,152	380,851	167,612	370,167	250,907
OTC (from 23/1/2007)	-	14,790,607	16,624,485	5,272,000	1,267,649
German stock exchanges (ADR)	227,539	234,059	76,391	56,101	36,752
Total	743,821	17,455,901	19,808,839	8,472,178	2,721,828

# 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 confirmed in Jul'10, S&P sticks to B+ assigned in Sep'09
- 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



# Investor Relations contacts

**Sergey Klinkov**, Head of IR division  
+7 495 620 90 71, [S.Klinkov@voz.ru](mailto:S.Klinkov@voz.ru)

**Svetlana Fedotova**, Economist of IR division  
+7 495 620 90 71, [S.Fedotova@voz.ru](mailto:S.Fedotova@voz.ru)

**Elena Mironova**, Economist of IR division  
+7 495 620 90 71, [E.Mironova@voz.ru](mailto:E.Mironova@voz.ru)

[investor@voz.ru](mailto:investor@voz.ru)

<http://www.vbank.ru/en/investors>

Follow us on Twitter: [www.twitter.com/vbank\\_IR](http://www.twitter.com/vbank_IR)

# Disclaimer

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of Bank Vozrozhdenie (the Bank). Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future.

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.