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H1 2012 IFRS Results

Balanced growth across the board



Conference Call
August 22, 2012

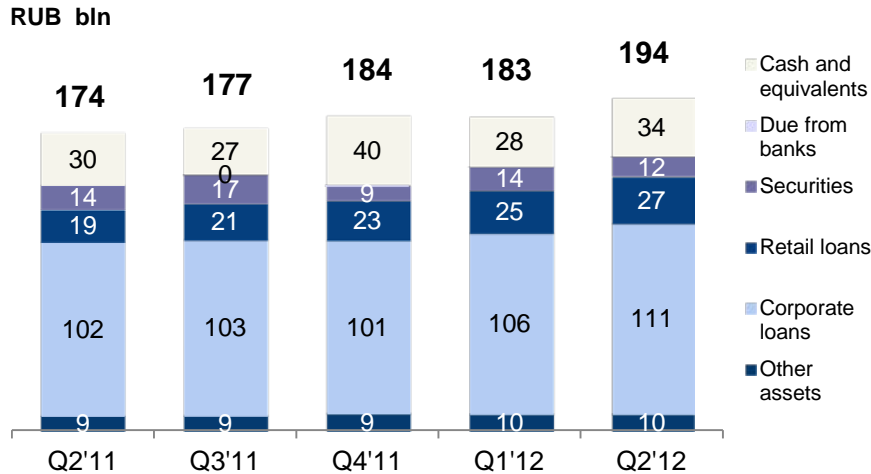
H1 2012 Highlights

Net income surged to RUB **1,204** mln, up 69,1%YoY

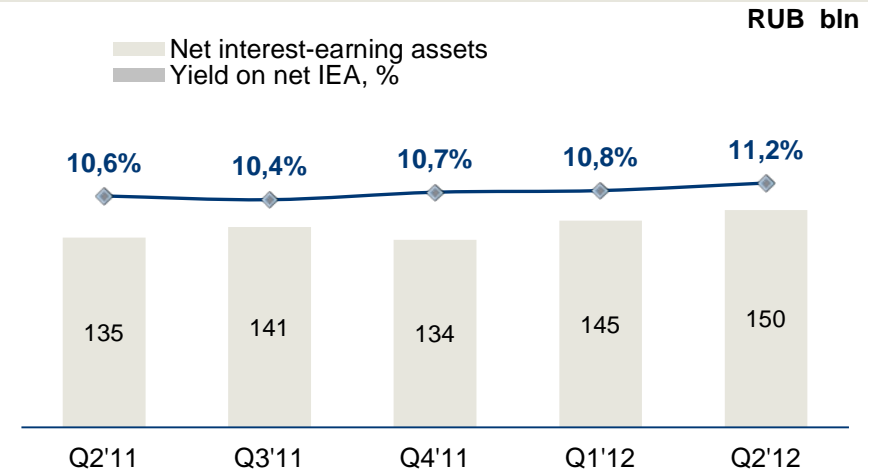
- Assets up **5.9%** for the quarter to RUB **193,908** mln
 - Corporate portfolio rose to RUB **124,002** mln, up **5.1%** from Q1'12
 - Retail portfolio was RUB **28,274** mln, up **9.1%** for the quarter
 - Client funds soared to RUB **151,827** mln, up **6.2%** from Q1'12
 - NPL fell 60 bps to **8.08%**; 1day+ overdues covered by **113%**
-
- Net interest income was Rub **4,411** mln, up **37%** from H1'11
 - Net fees grew to RUB **2,417** mln, up **10%** from H1'11
 - NIM was up to **4.7%** versus **3.7%** in H1'11.
In Q2'12 it reached **4.8%**, up **12bps** from Q1'12
 - ROE improved to **12.7%** up from **8.3%** in H1'11.
In Q2'12 it was **14%** - highest since 2008

Assets

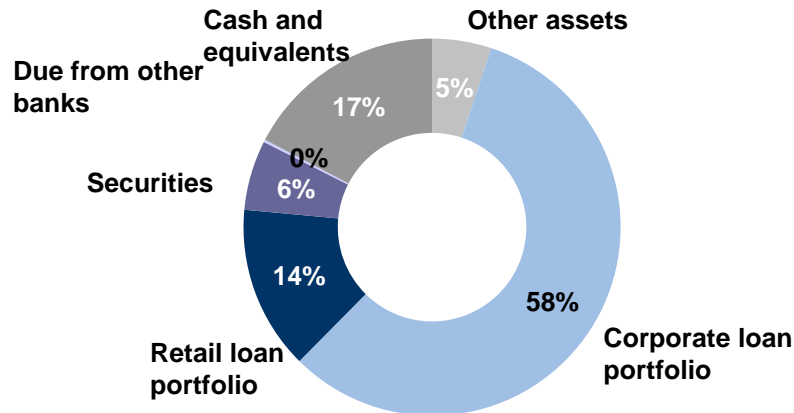
Balanced assets structure...



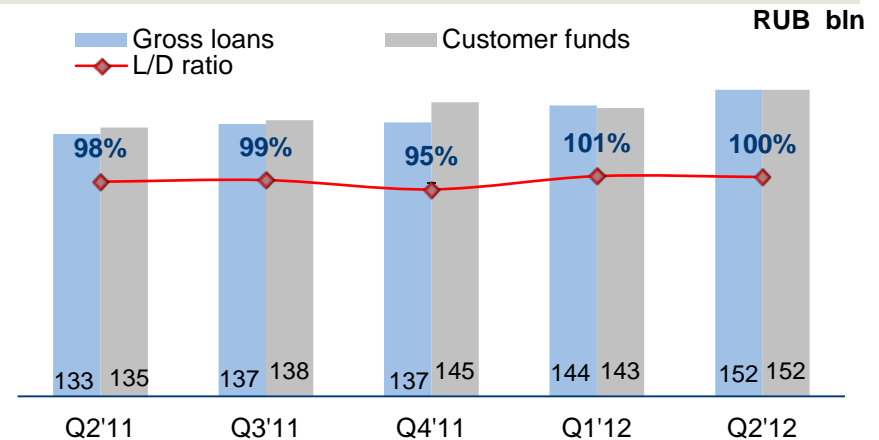
...contributes to higher yields on IEA



Liquid assets stood at 22% of total assets

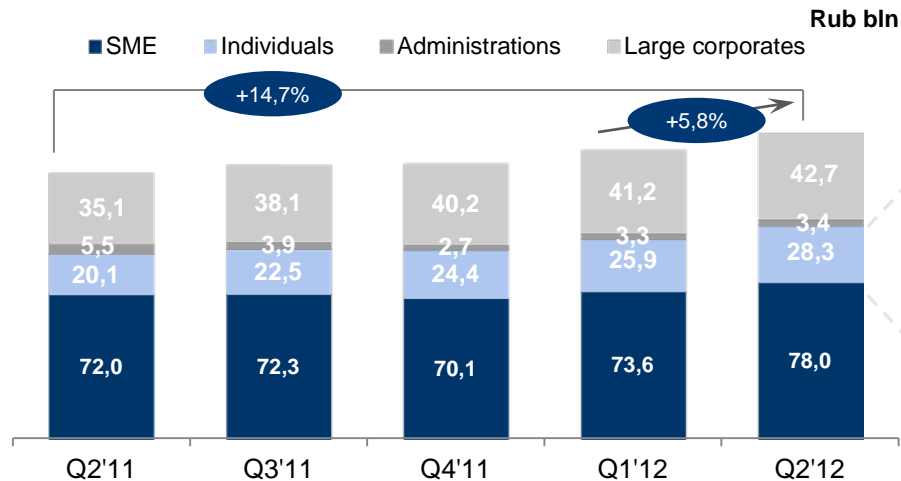


LTD ratio at optimal levels

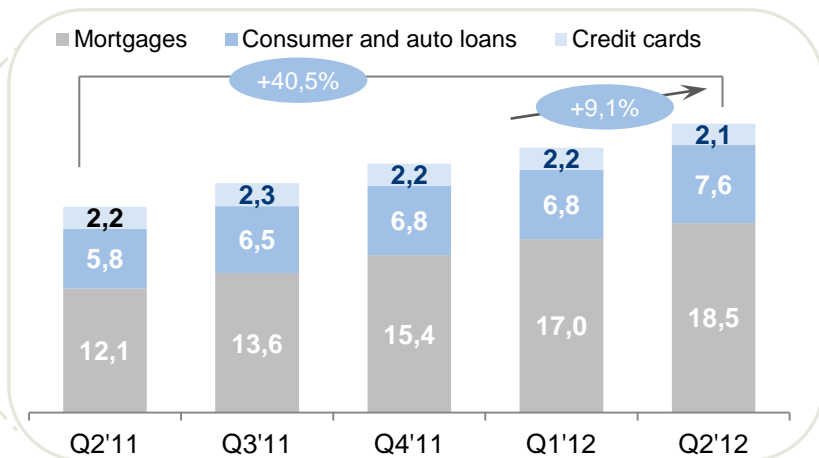


Loans

SMEs are key growth driver in corporates...

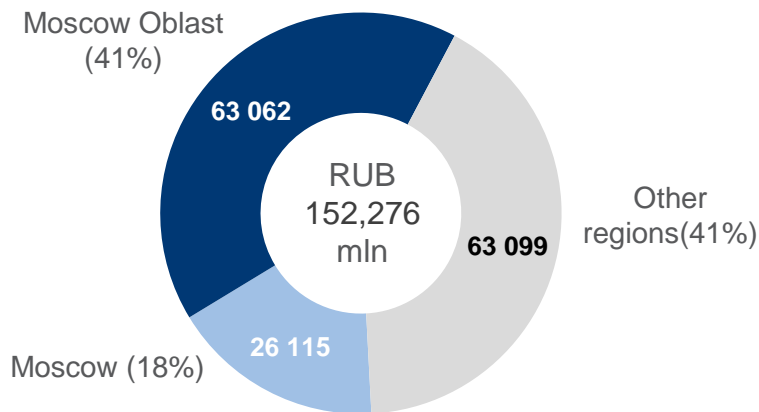


...consumer and mortgages – in retail



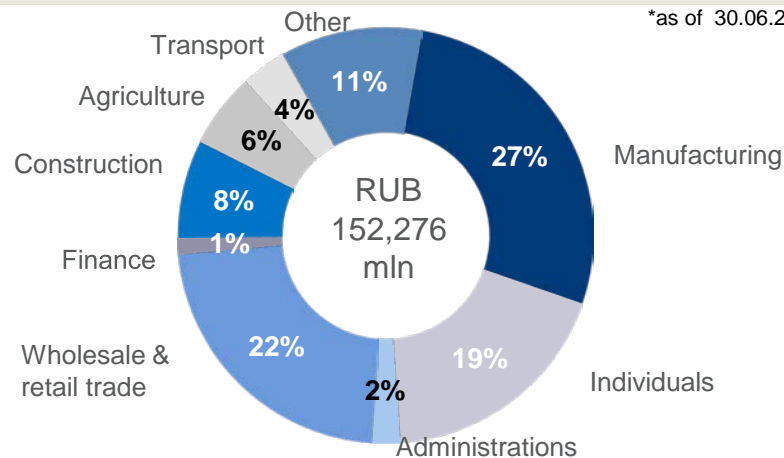
Balanced presence in all regions of interest

*as of 30.06.2012



Breakdown by industry

*as of 30.06.2012

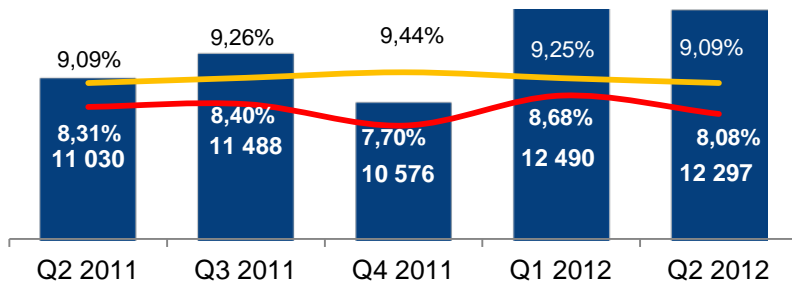


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Credit quality management

NPLs dynamics

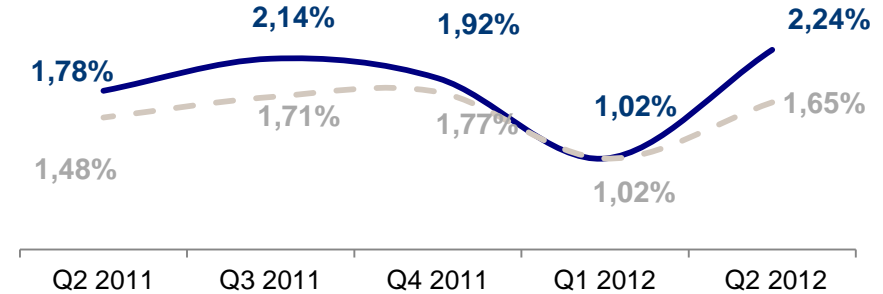
■ NPLs, RUB mln*
 — Provisions, % of total portfolio
 — NPLs, % of total portfolio



* NPL includes the whole principal of loans at least one day overdue either on principal or interest as well as not overdue loans with signs of impairment

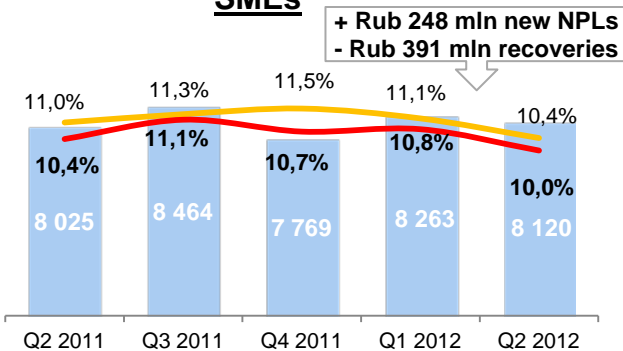
Annualized cost of risk

— Charges to provisions to avg gross loans, QoQ
 - - Charges to provisions to avg gross loans, YTD

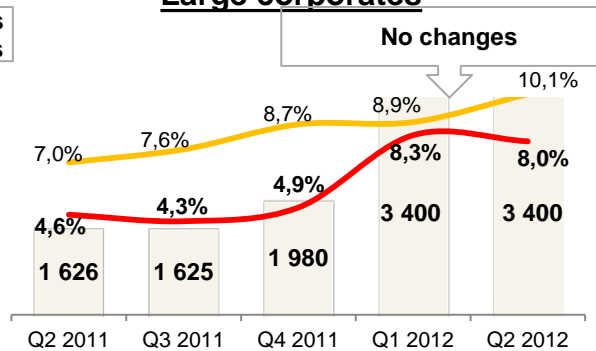


NPLs categorization: absolute improvement across all business segments

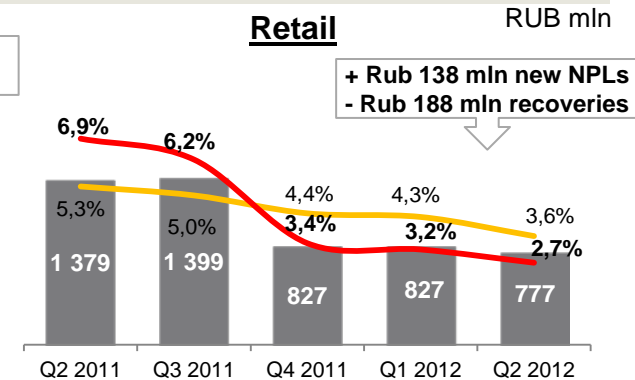
SMEs



Large corporates



Retail



■ NPLs, RUB mln — Provisions, % of total portfolio — NPLs, % of total portfolio

Credit quality

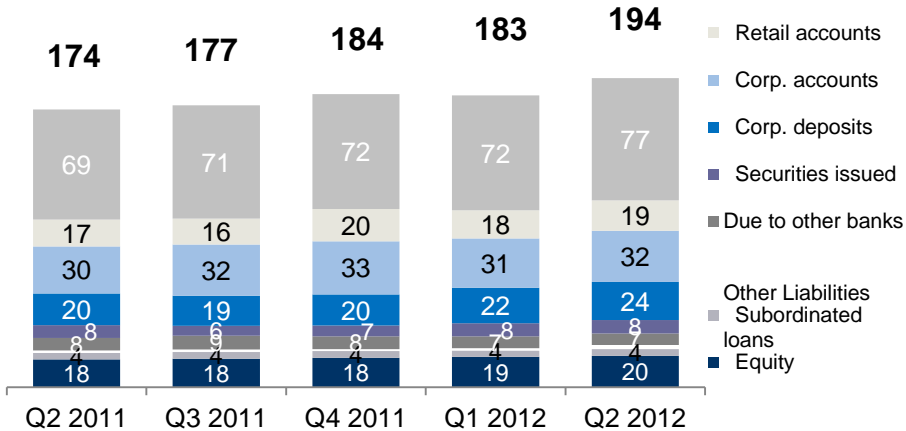
as of 30.06.2012	Large corporate	SMEs	Mortgages	Other retail	Total	% of total loans	
Gross loans, including	42,673	81,329	18,542	9,732	152,276	100.0%	Provisions to NPLs Ratio
Current loans	39,273	73,209	18,268	9,229	139,979	91,9%	113%
Past-due but not impaired, of them	-	92	79	65	236	0.2%	
Less than 90 days	-	92	51	56	199	0.2%	
Over 90 days	-	-	28	9	37	0.0%	Provisions to 90 days+ NPLs
Impaired, of them	3,400	8,028	195	438	12,061	7.9%	153%
Less than 90 days	2,558	413	15	62	3,048	2.0%	
Over 90 days	842	7,615	180	376	9,013	5.9%	
Total NPLs	3,400	8,120	274	503	12,297	8.1%	
Provisions	(4,327)	(8,488)	(481)	(548)	(13,844)	9.1%	Rescheduled Loans
Net Loans	38,346	72,841	18,061	9,184	138,432	-	4.5%

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 and capital

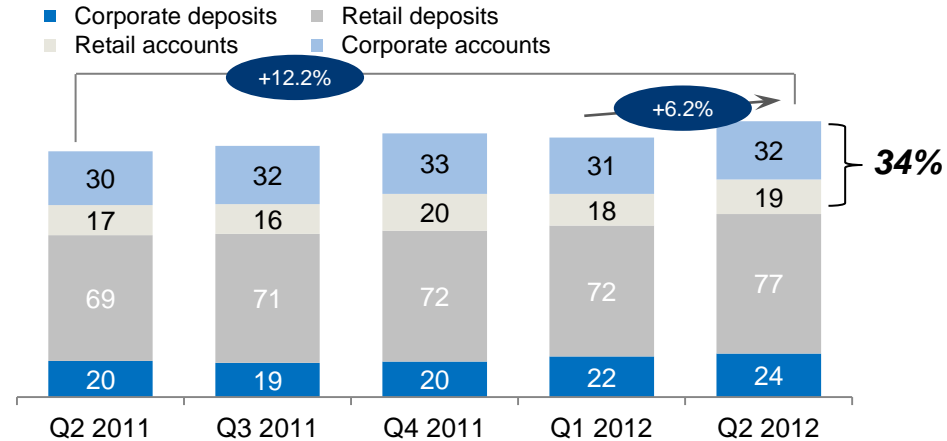
Funding base grows in line with assets...

RUB bln



... driven mostly by client funds

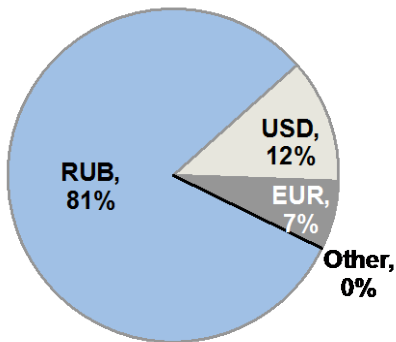
RUB bln



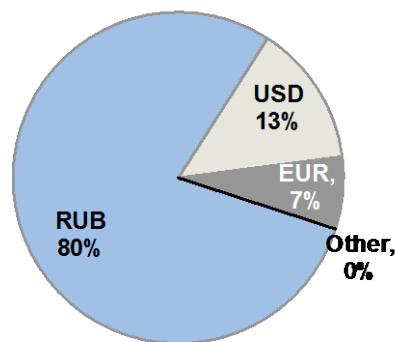
FX structure remains matched

Data as of June 30, 2012

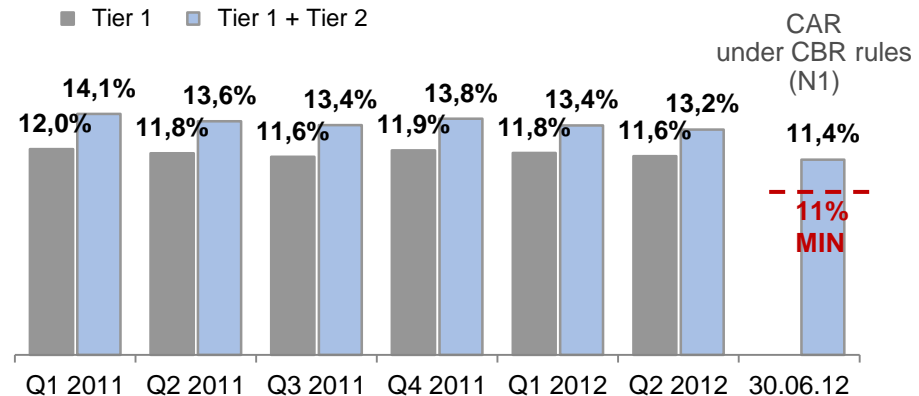
Assets



Liabilities



Capital position exceeds the requirements

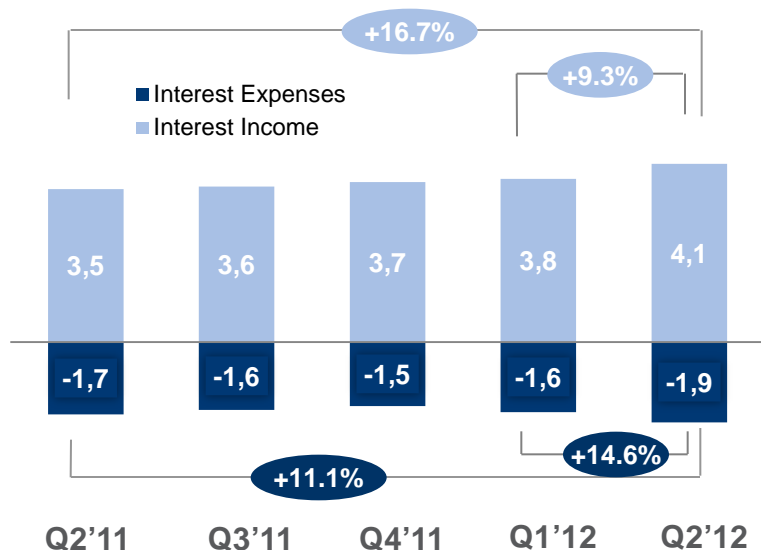


Financial highlights

	H1'12	H1'11	Q2'12	Q1'12
Interest income	7 887	6 674	4 118	3 769
Interest expense	(3 476)	(3 453)	(1 856)	(1 620)
Fee and commission income	2 605	2 382	1 387	1 218
Fee and commission expense	(188)	(184)	(96)	(92)
Other operating income	347	285	220	127
Total operating income	7 175	5 704	3 773	3 402
Operating expenses	(4 180)	(3 889)	(2 138)	(2 042)
Provisions	(1 188)	(926)	(830)	(358)
Provisions on non-core assets	(314)	2	(1)	(313)
Tax	(289)	(179)	(126)	(163)
Net profit	1 204	712	678	526

Solid interest income offsets funding costs pressure

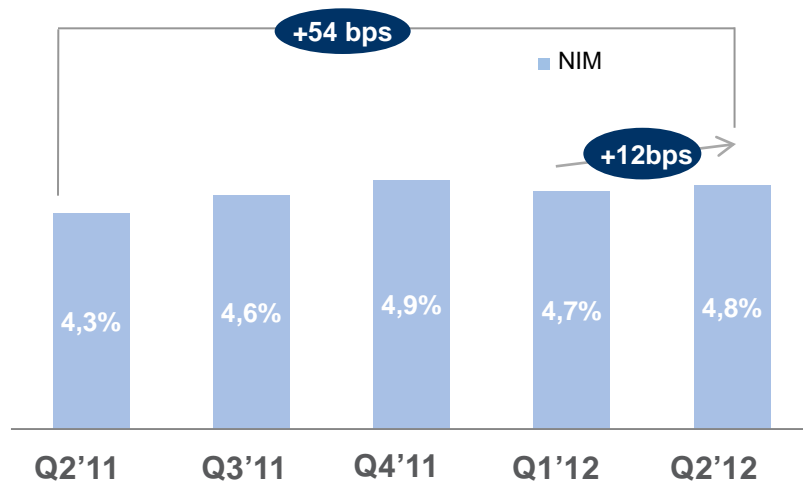
Interest
Income and
Interest
Expenses,
RUB bln



- Interest income added up 9.3% for the quarter supported by higher rates on corporate loans and healthy volumes of issuance. Yields on interest-earning assets were up 35 bps QoQ to 11.2%, highest level since 2010.

- Interest expenses grew by 14.6% reflecting higher rates across the deposit base filtering through the P'n'L. However, pricing of retail deposits remained stable since March 2012.

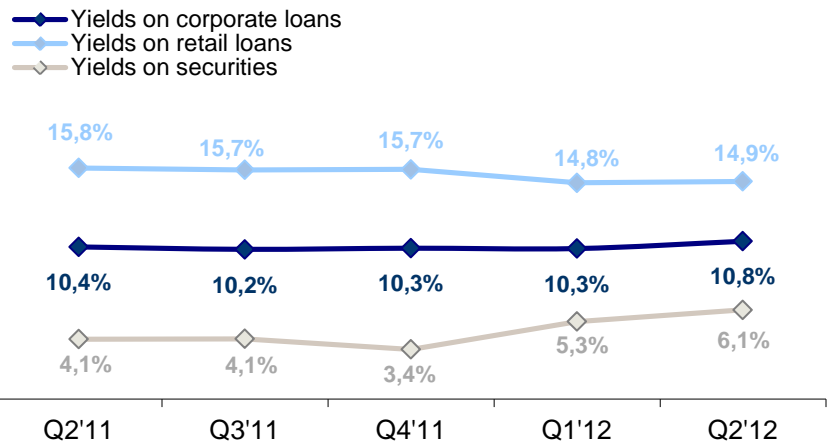
NIM
evolution



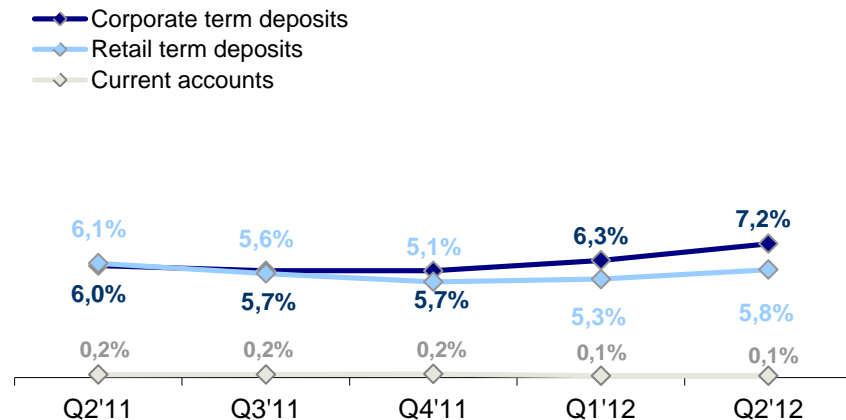
- After a moderate decline in Q1 2012 net interest margin on total average assets picked up 12 bps to 4.8% supported by strong interest income. NIM for H1 2012 of 4.7% significantly improved from 3.7% in H1 2011.

NIM gains on repricing of loans and deposits

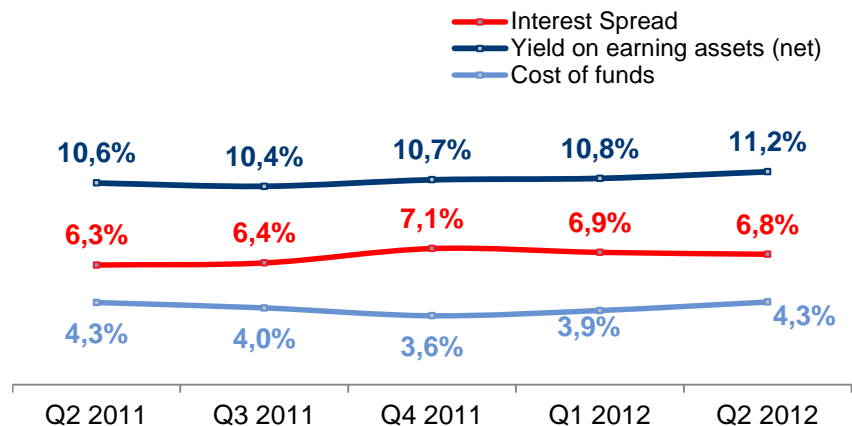
Loan yields surged forward...



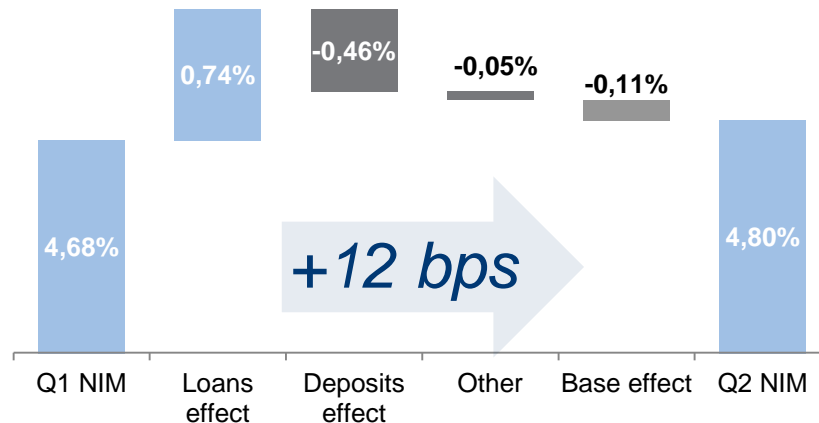
...outpacing cost of deposits



Spread dynamics

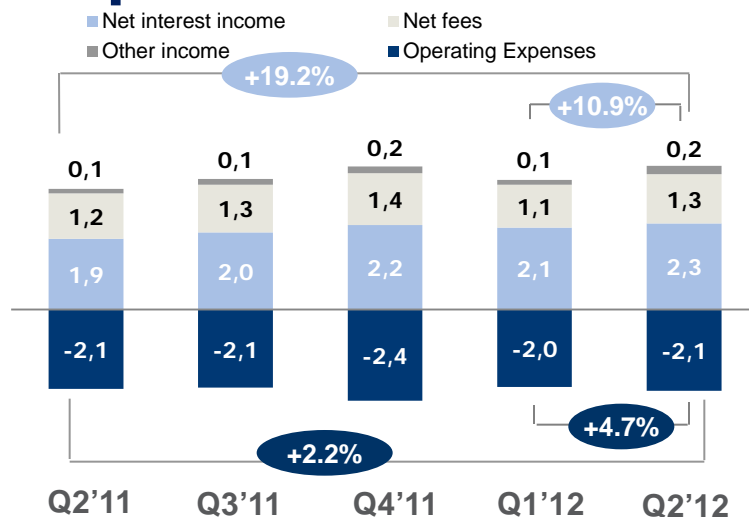


NIM decomposition

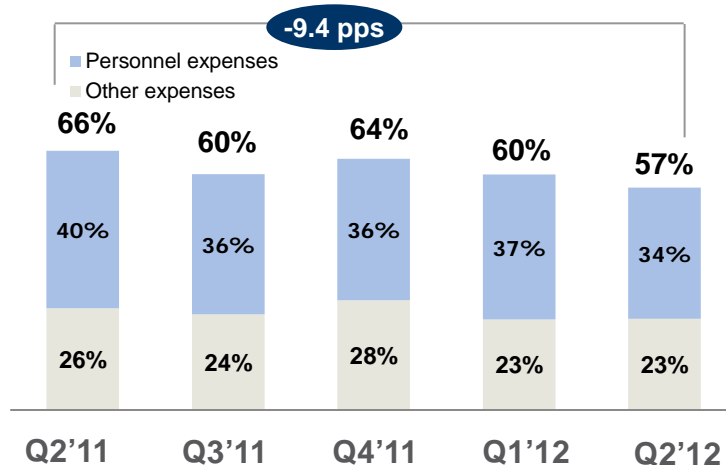


Operating efficiency benefits from strong revenues and costs discipline

Operating Income and Expenses, RUB bln



Cost to Income before provisions, %

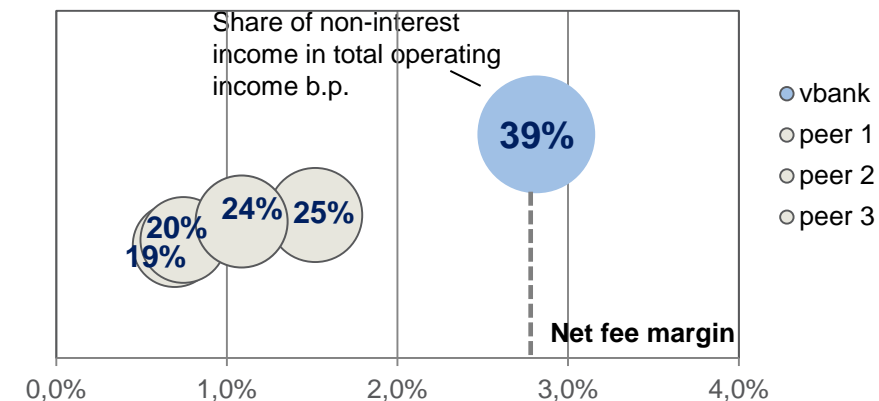


- All components of operating income demonstrated positive dynamics with net interest income up 5.3% and net fees up 14.7% on the back of strong business activity.
- Conservative trading portfolio preserves the bank from significant losses during financial markets turmoil, while gains from trading in foreign currency on the back of turbulent exchange rate brought trading income up 25%.
- Development of operating expenses in Q2'12 (+4,7% compared to Q1'12) fully complies with the bank's focus on cost control in 2012 – personnel costs were almost flat QoQ. On a YoY basis operating expenses in Q2'12 increased just 2.2% mostly driven by expenses on IT infrastructure.
- Continued improvement of cost efficiency and stronger revenues supported the recovery of cost to income ratio to 56.7% in Q2 2012 from 66.1% for the same quarter of 2011.



Fees and commissions

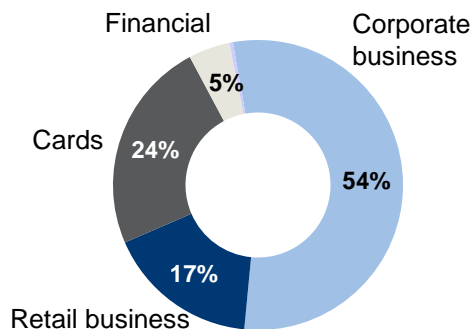
Strongest non-interest income among peers



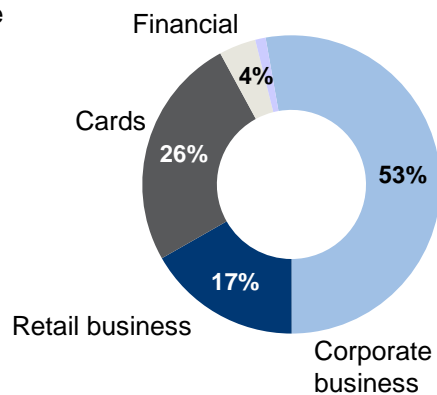
* Vbank data as of 1Q'12, Peer1, Peer2, Peer 3, Peer 4 – FY2011

Non-interest income breakdown by segments

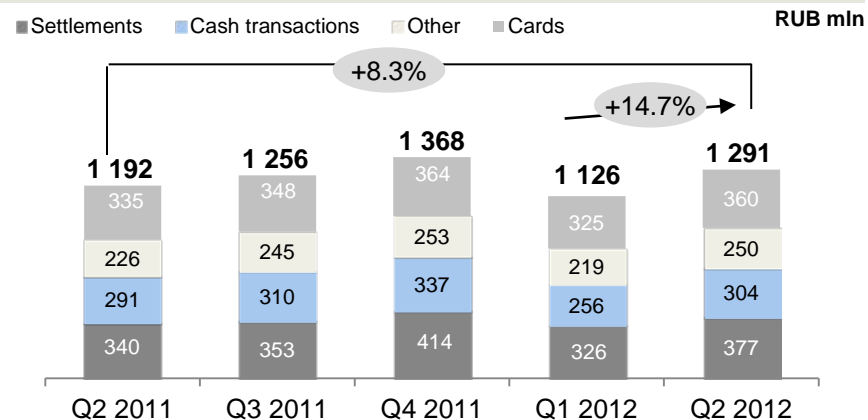
Q2 2012



Q1 2011



Net fee income distribution



Key points

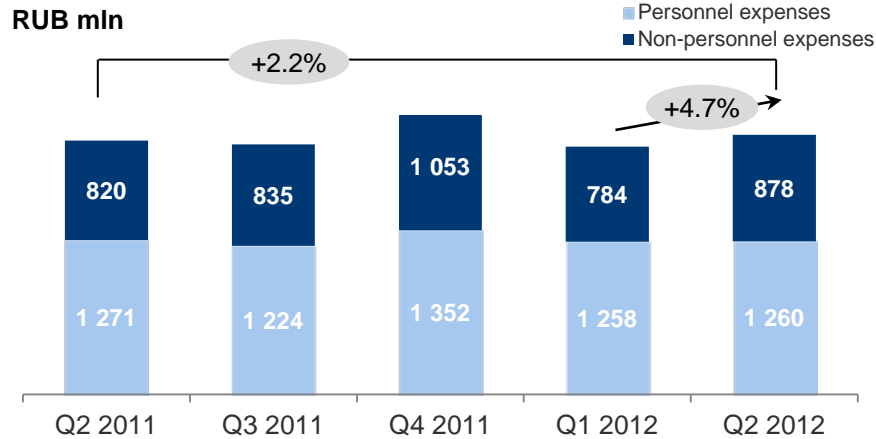
Non-interest revenues were solid in Q2 2012, supported by positive trading gains despite turbulent market environment

Net fee income grew by 14,7% QoQ on the back of strong business activity. Income from settlements grew by 16%, cash transactions – by 19% and banking cards business – by 11%

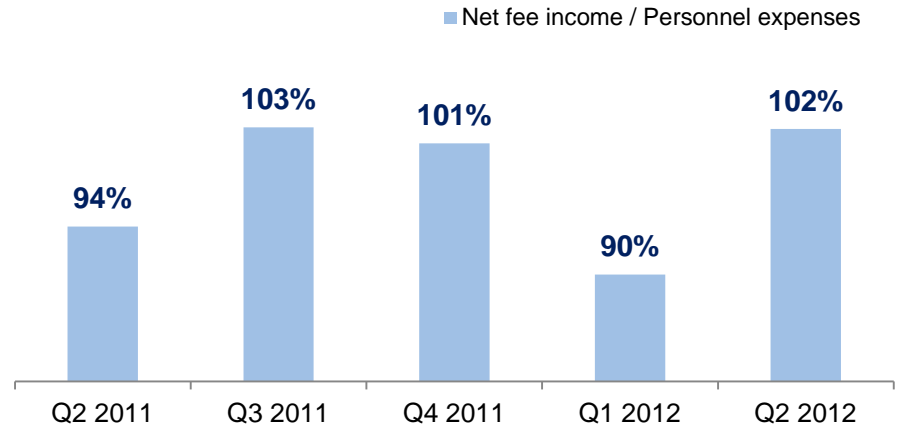
54% of non-interest income 54% was delivered by corporate business, bank cards business contributed 24% and 17% came from the retail

Costs

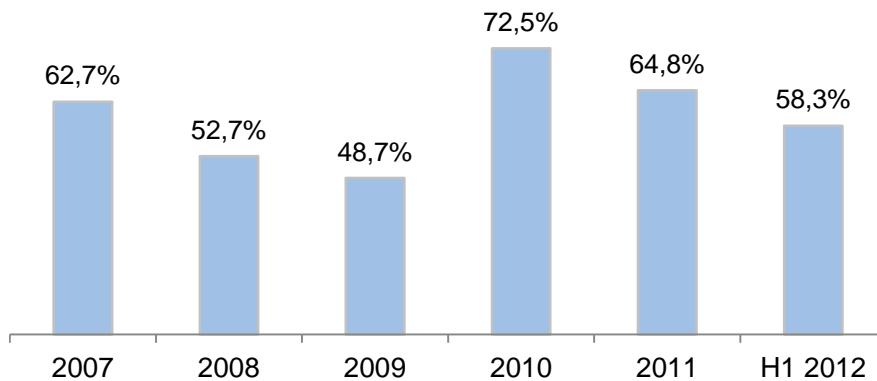
Operating expenses breakdown



Earned fees fully cover personnel expenses



Cost-to-Income ratio



Costs summary

Operating expenses were under strict control in H1 2012, fully in line with the bank's plans for the year

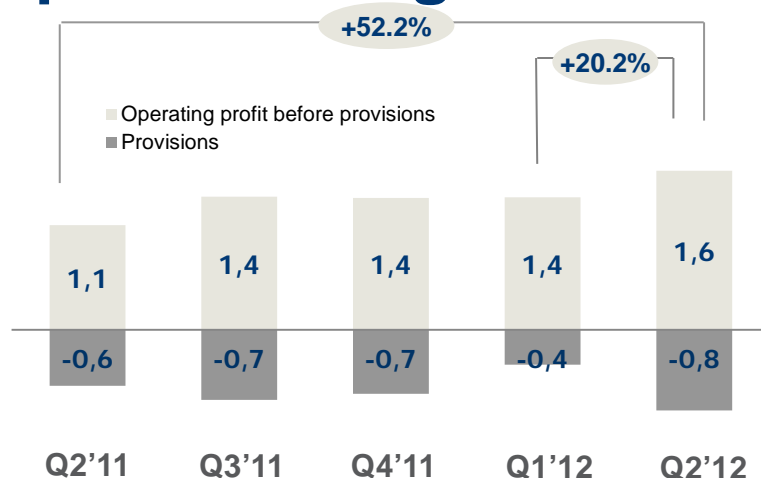
Long-term operating efficiency project is ongoing on the phase of building IT infrastructure to centralize back-office operations

Personnel expenses remained almost flat on a quarterly basis and are again fully covered by earned fees and commissions

Cost to income ratio for H1 2012 declined from 68.2% for H1 2011 to 58.3% closer to normalized levels

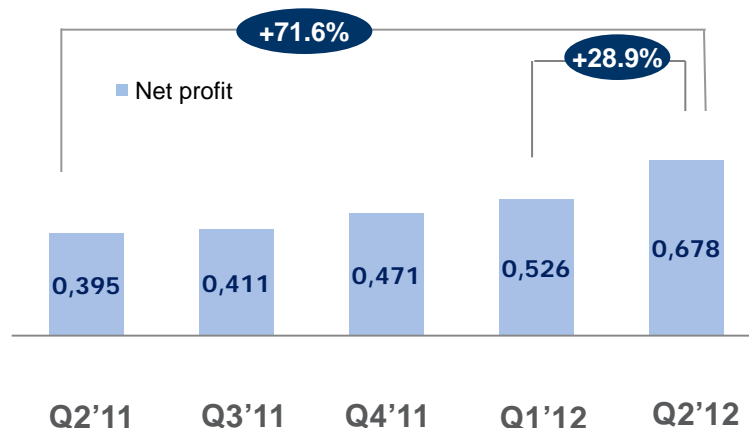
Continued improvement of performance despite conservative provisioning

Operating profit and provisions, RUB bln



- Operating profit before provisions demonstrated visible improvements both on the quarterly (+20.2%) and year-on-year basis (+52.2%), driven by solid revenue base and moderate controlled expansion of operating costs.
- Significant hike of provisioning in Q2'12 to Rub 830 mln on contrast to quite low charges of the previous quarter brought cost of risk for H1 2012 to 1.65% - comfortable level in a view of uncertain market conditions.

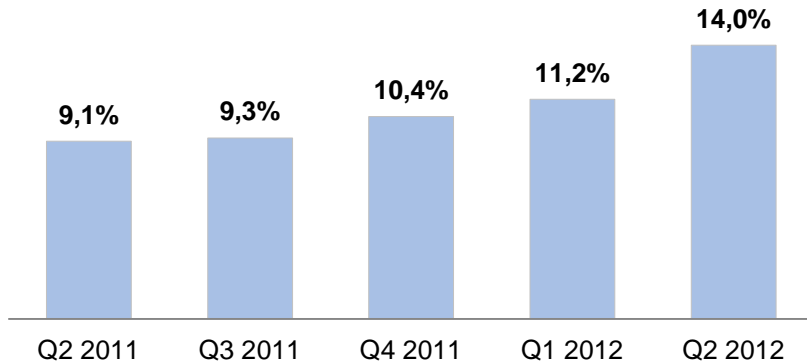
Net profit, RUB bln



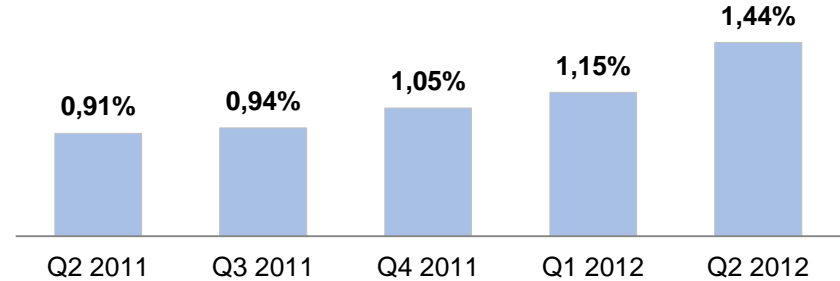
- Net profit gains momentum for the 10th consecutive quarter, bringing ROE to 14% in Q2'12. Thus, the bottom line grew by 72% YoY and 29% QoQ.

Earnings generation capability

ROE, %

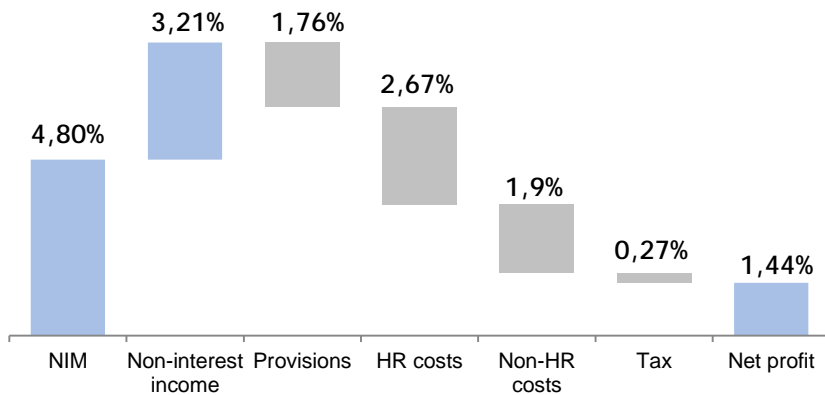


ROA, %



Value generation

* % of average assets



Key points

Profitability is on track – strong cost efficiency and optimal structure of assets and liabilities contributed to further improvement of ROE – it reached 14% in Q2 2012

The bank is taking advantages on continued repricing on both sides of the balance sheet due to careful A&L management. Still conservative on provisioning, operating efficiency is to add up value going forward



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Key takeaways of Q2 2012

Well-managed assets structure...

- ✓ Sharpened focus on profitable SME and retail supported by healthy loan demand
- ✓ Strong liquidity position maintained
- ✓ Conservative securities portfolio defends from significant losses
- ✓ Positive NPLs dynamic

...supported by robust funding...

- ✓ Benefits from wide client base – ability to attract funding at reasonable rates
- ✓ Retail deposits – main contributor of growth
- ✓ High share of interest-free funds
- ✓ Loans-to-Deposits at optimal 100%

...leads to revenues boost...

- ✓ Visible NIM expansion
- ✓ Higher yields on loan portfolio offset increased funding costs
- ✓ Strong fees support revenue base
- ✓ 10 consecutive quarters of mounting net profit

...to further benefit from operating efficiency

- ✓ Strong focus on efficiency improvement lead to decline of Cost-to-Income ratio
- ✓ Strict control over operating expenses
- ✓ Future benefits from operating efficiency project:
 - centralization of back-office
 - focus on remote channels
 - shift to front-office operations



Questions and answers



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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.

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- 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;
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- risks related to Russian legislation, regulation and taxation;
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