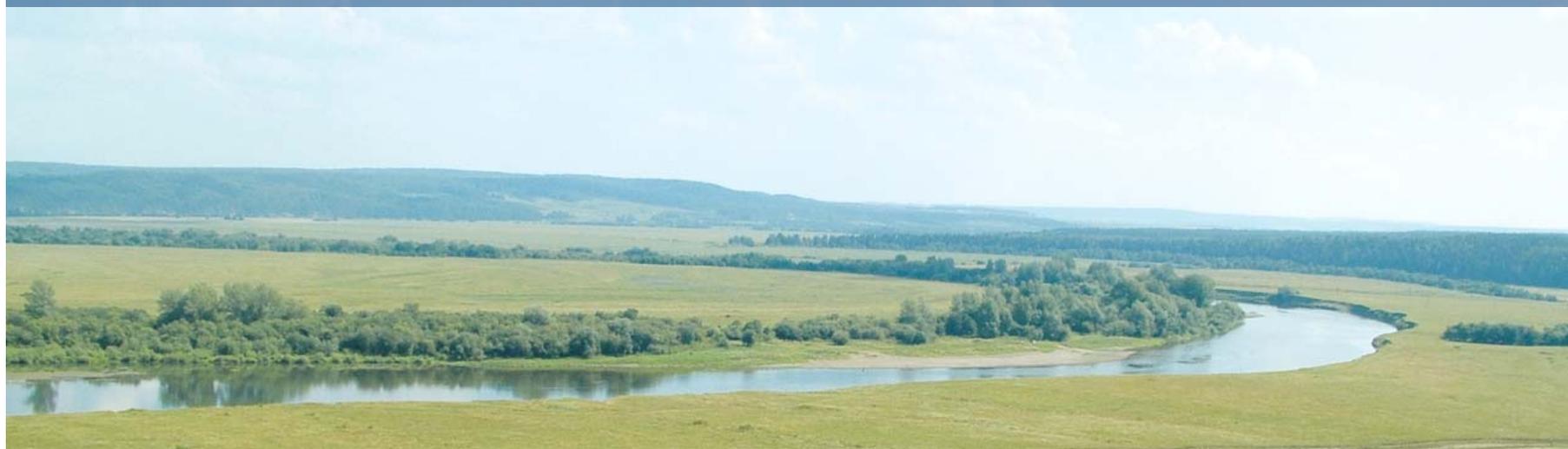




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BANK**

THE BANK THAT IS ALWAYS WITH YOU

# Introduction to Bank Vozrozhdenie



Investor Presentation  
March 2007

# Investor presentation

- Bank Vozrozhdenie in brief
- Strategy
- Risk Management. Corporate Governance
- Financial results
- Investment opportunities

# Bank Vozrozhdenie in brief



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# Vozrozhdenie Bank - a Community Bank built on SME and Individual relationships

Assets:	\$2,364 mln
Loans:	\$1,743 mln
Retail funds:	\$1,249 mln
Net income:	\$23 mln
Shareholders' equity:	\$199 mln
ROE:	21.7%

Note: data as of September 30, 2006

Retail clients:	900,000
Corporate clients:	43,500
Offices:	148
ATMs:	470
Headcount (avg.):	5,076
Ratings Moody's	B1/E+/NP positive

Note: data as of December 31, 2006

Market capitalization: \$1.3 bln.

## Significant market presence



Deposits from individuals\*



Number/volume of mortgages issued\*



Branches

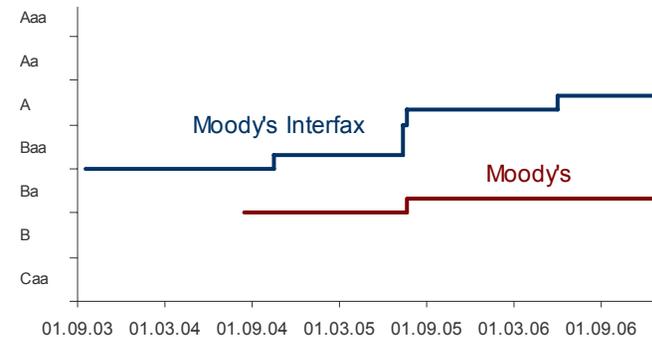


Assets\*\*

\* RBC ratings as of January 1, 2007

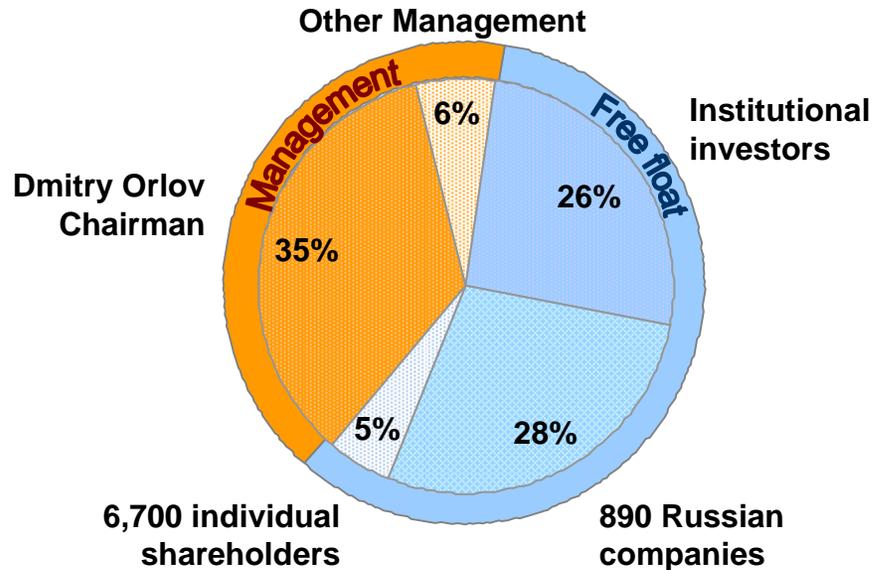
\*\*Interfax ratings as of January 1, 2007

## Consistent strengthen of ratings



# Diversified shareholding structure

## Shareholding structure (post-issue)



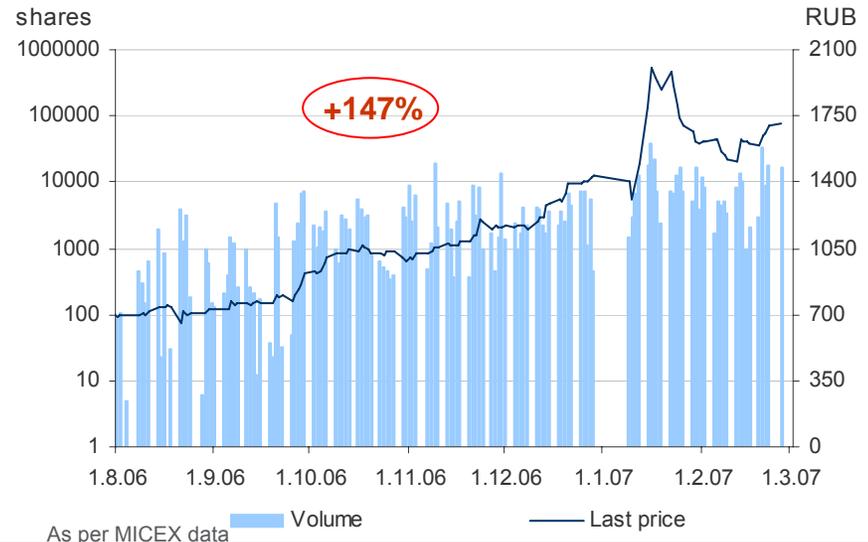
- 20,748,694 ordinary shares
- 1,294,505 preferred shares\*

\* non-voting perpetual

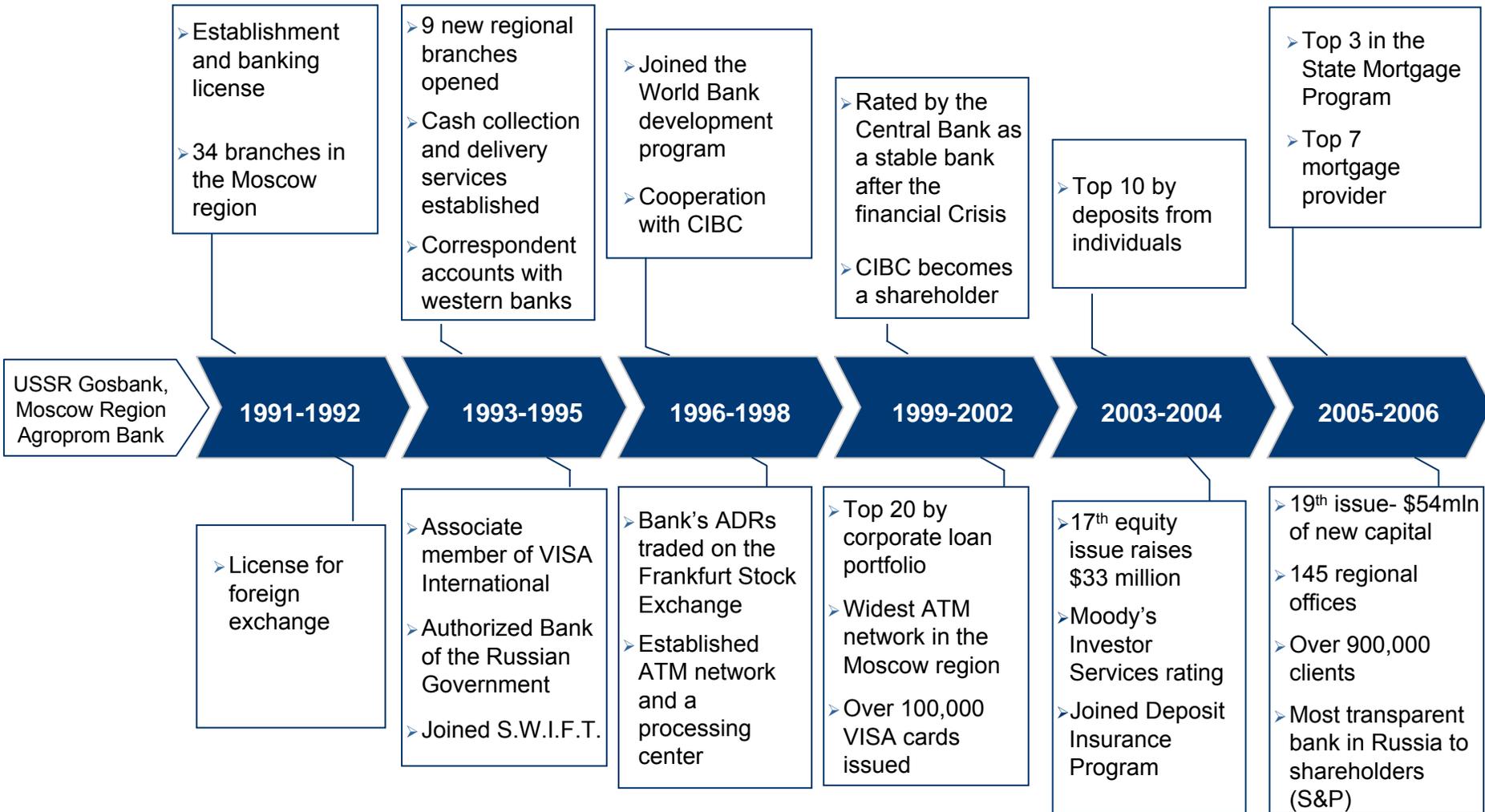
## Capital Issue - August 2006

- Strengthen capital base organic growth
- 10% new equity - 2 million common shares
- \$27 per share (or 729 rubles) - \$54 million total
- Troika Dialog advisor
- registered on August 11<sup>th</sup>, 2006
- 2 major international funds plus Russian and Scandinavian funds

## Growth of share price on MICEX



# Over 15 years of successful development

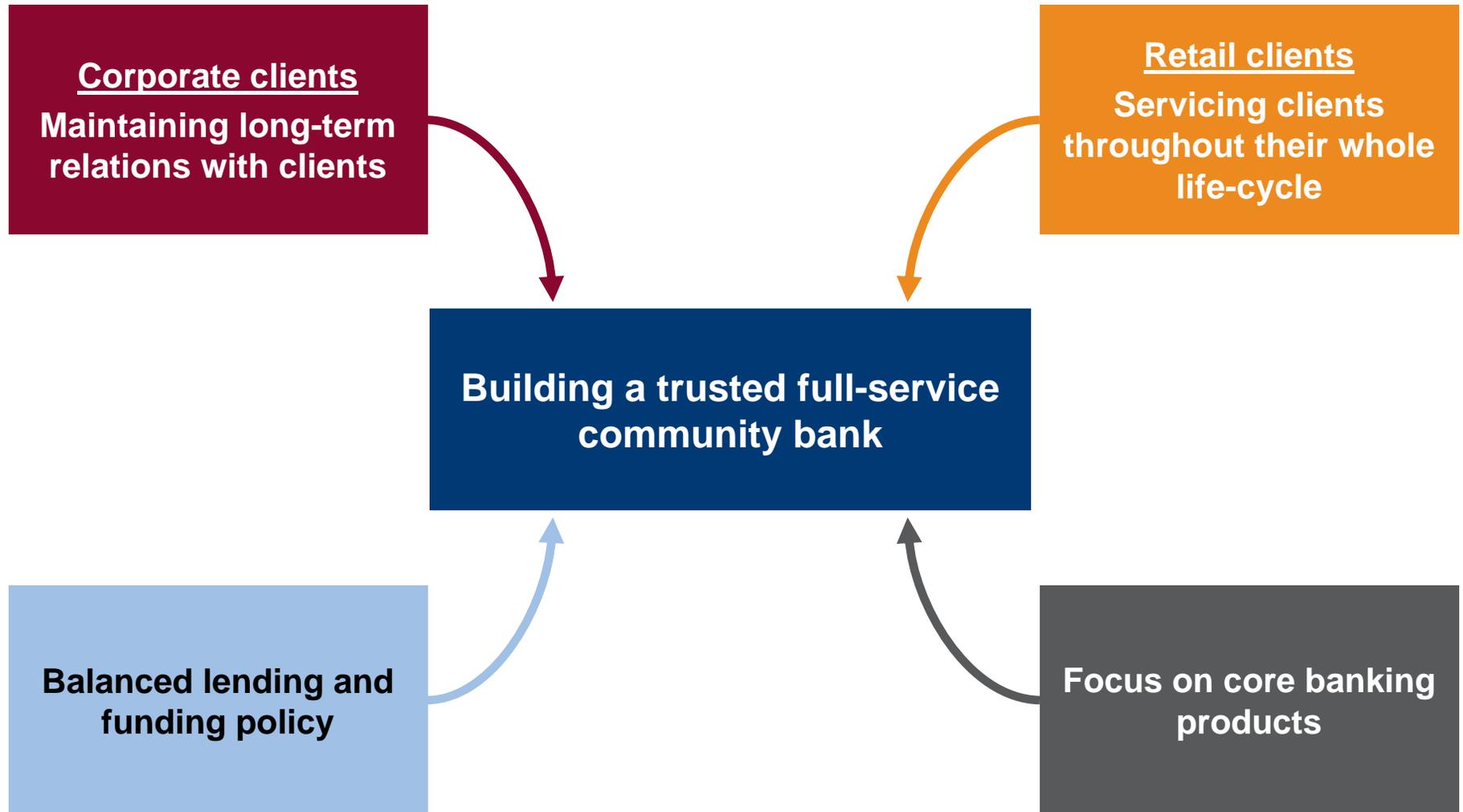


# Strategy

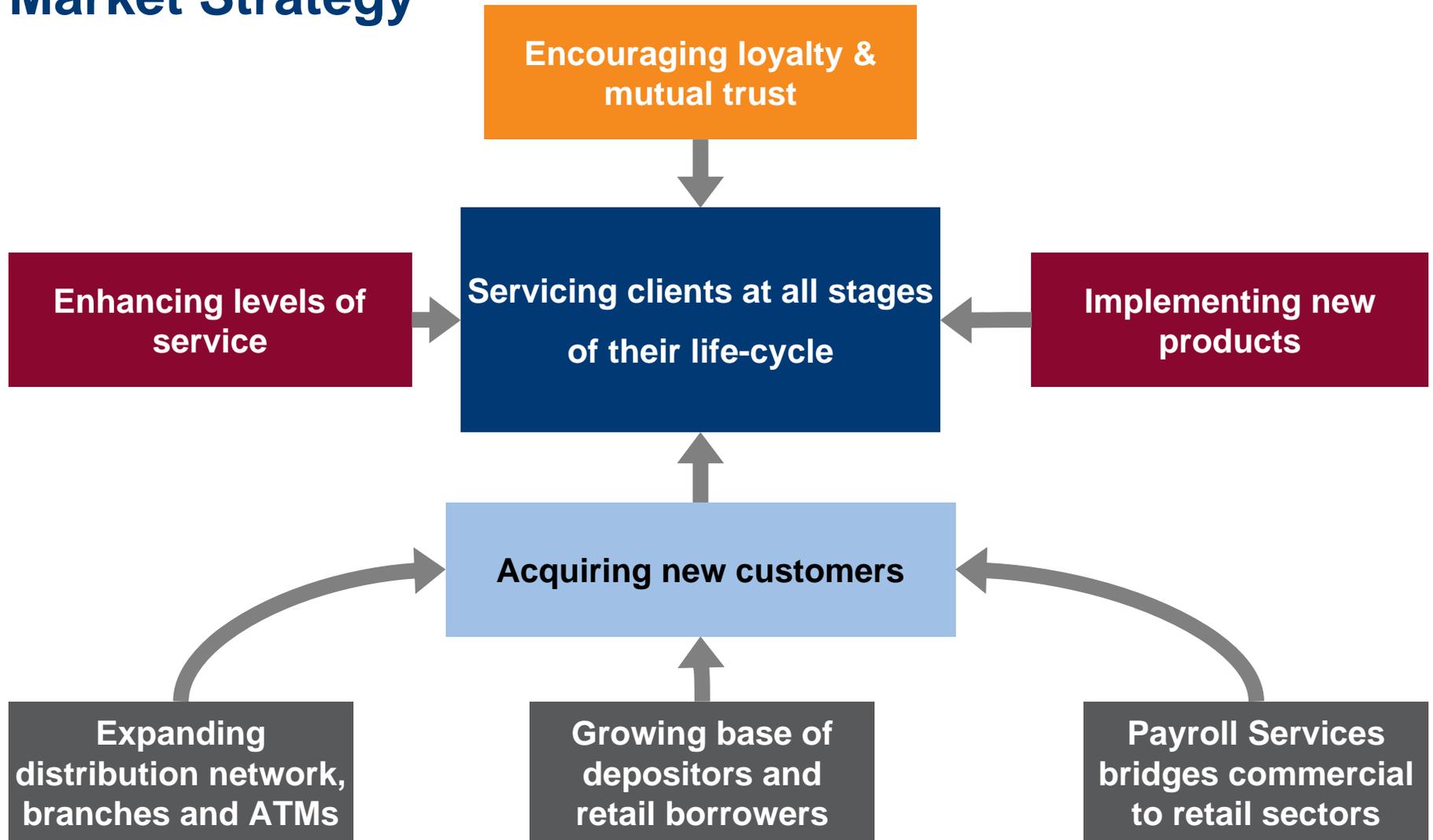


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# Mission



# Market Strategy



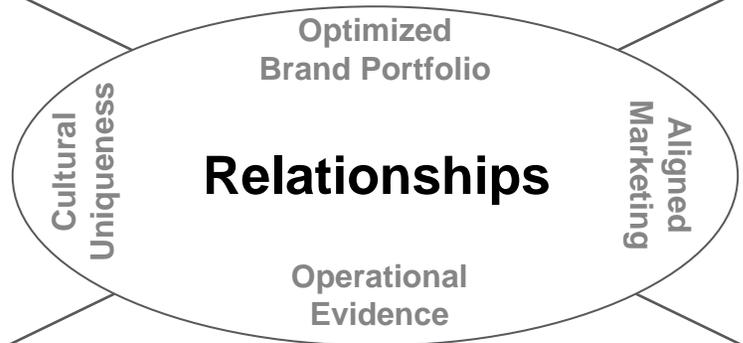
# Marketing Strategy

Positioning as strategic competitive advantage



## Values:

- Responsive
- Human (Real)
- Dependable



- Satisfaction & Improvement Survey
- Relationship Performance Metrics
- Central Mktg. & Brand Management



# Business Strategy – three businesses

## Commercial

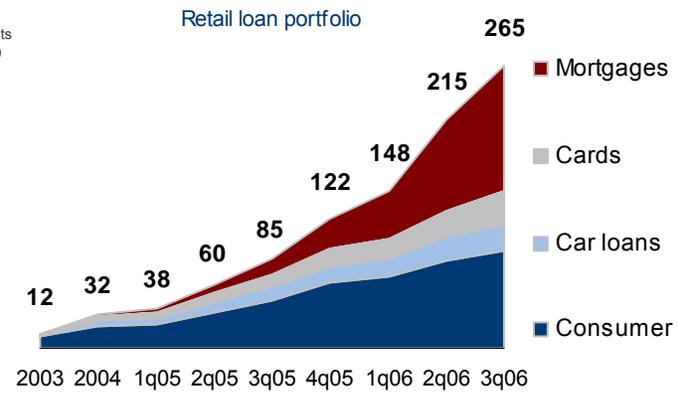
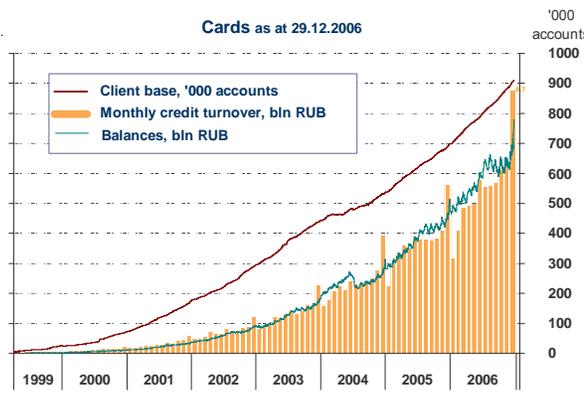
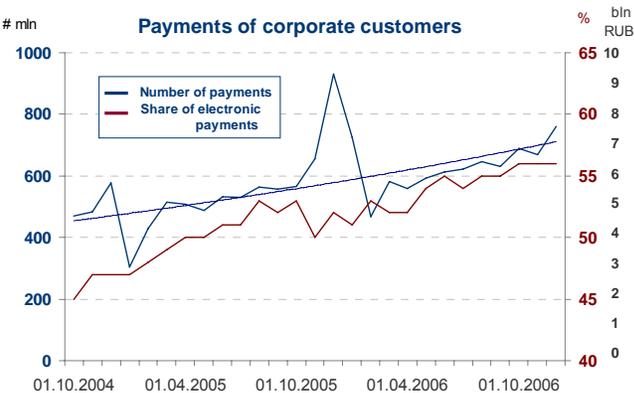
SME focus  
 Only 1 in 10 borrows  
 Transactions generate 1/3 of Non-interest Revenue  
 Understand development needs of small businesses

## Cards

Own processing centre '98  
 Payroll services bridge from commercial to retail  
 Card anchors relationships  
 Fee generation also 1/3 NIR  
 Technology! SMS link

## Retail

Deposit initiative 2000  
 Strong community base  
 Deposit growth based on relationship & reputation, not price driven  
 Lending begun in '04  
 Another 1/3 of NIR



# Product Strategy

Quality commercial banking products for our clients' present needs

New services as market demand develops

## Retail products

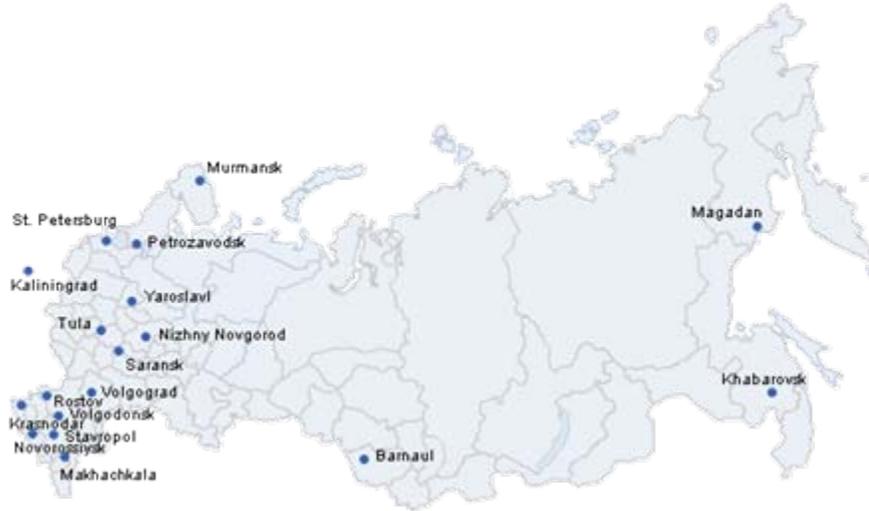
- Savings, term deposits
- Debit and credit cards
- Mortgages
- Consumer loans
- Car loans
- Payments and transfers

## Corporate products

- Lending
- Cash management
- Payments and current accounts
- Trade finance
- Foreign exchange
- International settlements
- Payroll service
- Cash collection and delivery

# Distribution strategy

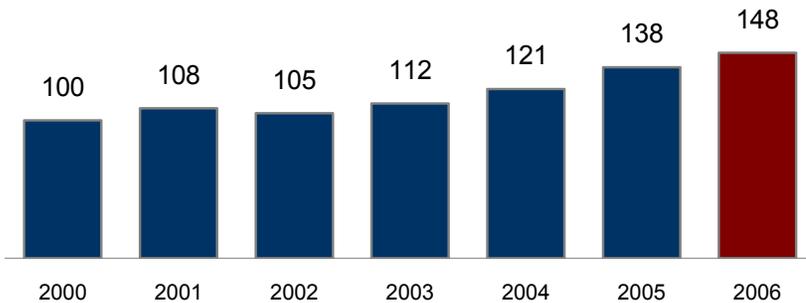
## Nation-wide regional franchise ...



- Focus on regions with diversified economies
- Pragmatic network expansion strategy
- Prime locations, well-known by clients
- Enhancing ATM network with cash-in and payment features

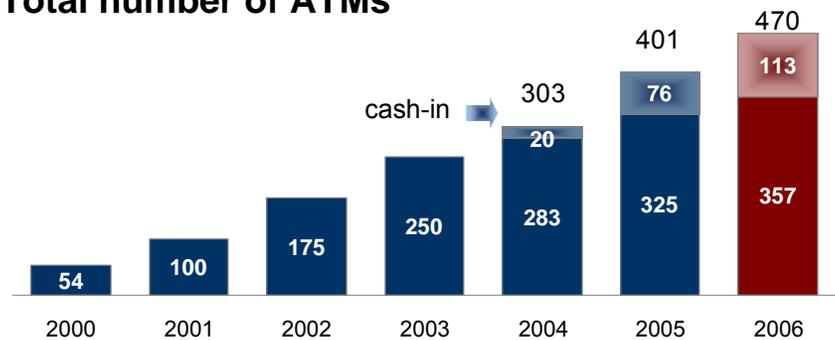
## ... has been rapidly expanding

Total number of branches



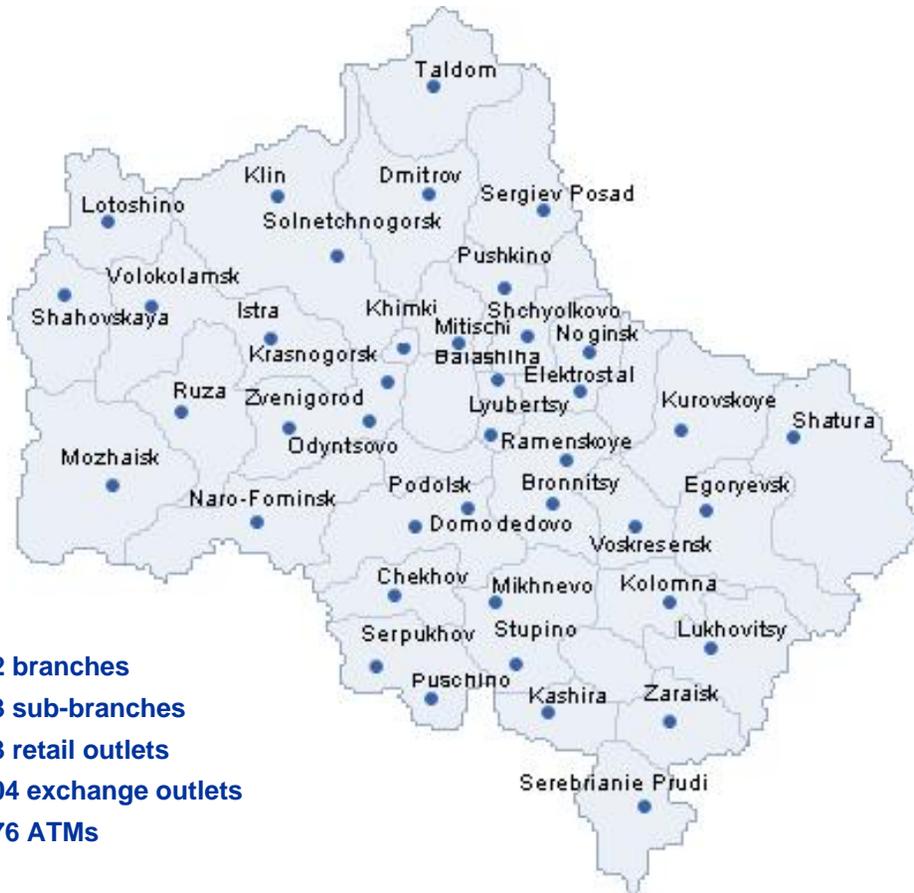
## ATMs drive commission revenues

Total number of ATMs



# Strong presence in the home region

## Located in all core centers of the Moscow Region



**42 branches**  
**33 sub-branches**  
**23 retail outlets**  
**104 exchange outlets**  
**276 ATMs**

## Share of Moscow region

- 65% of client base
- 60% of total loans extended
- 65% of total retail loans extended
- 75% of retail and 80% of corporate deposits
- 2<sup>nd</sup> largest coverage after Sberbank
- Prime locations
- 16 years of presence

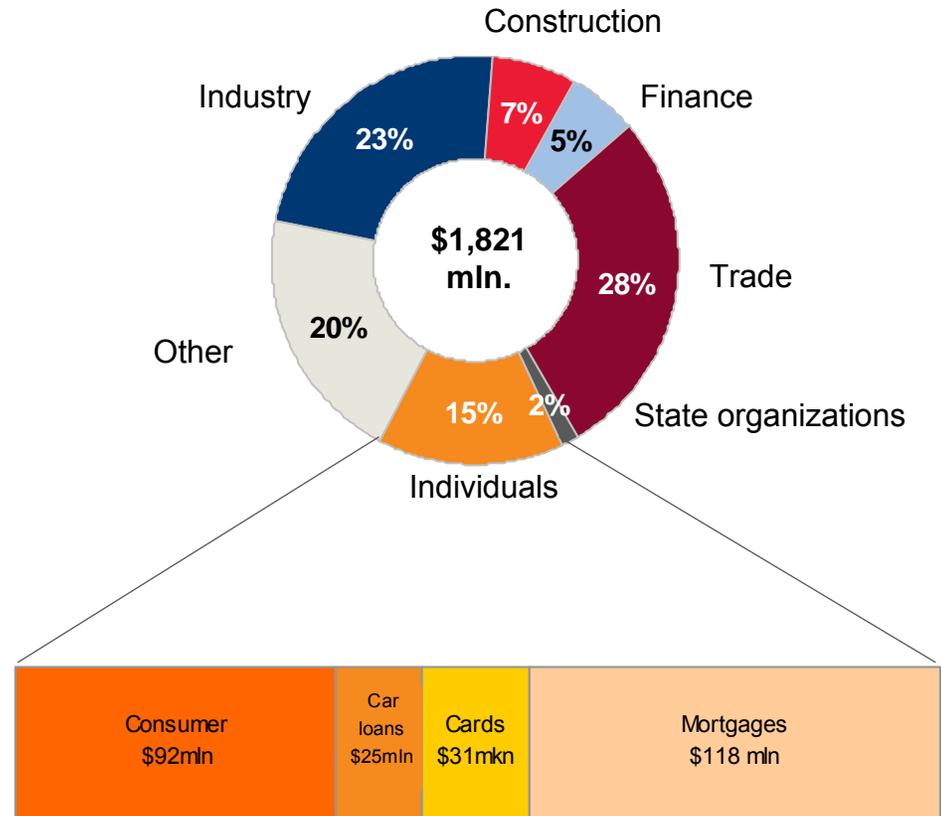
## The Moscow Region

- Over 20% of Russia's GDP and 12% of population
- GDP growth – more than 12% per annum
- Highest average monthly income per capita - \$750
- Most favorable environment for high-potential SME businesses – 46000 SMEs
- Highest demand for residential real-estate

# Lending strategy

- Maintaining a high quality portfolio through diversification and prudent lending policy
- Focus on high growth retail segments:
  - mortgages
  - consumer loans
  - car loans
- Moving long-term assets off the balance sheet (selling mortgages to the State Agency for Mortgages)
- Converting debit card holders and depositors into credit card users and active borrowers
- Corporate loan portfolio growth to be fuelled by SME lending

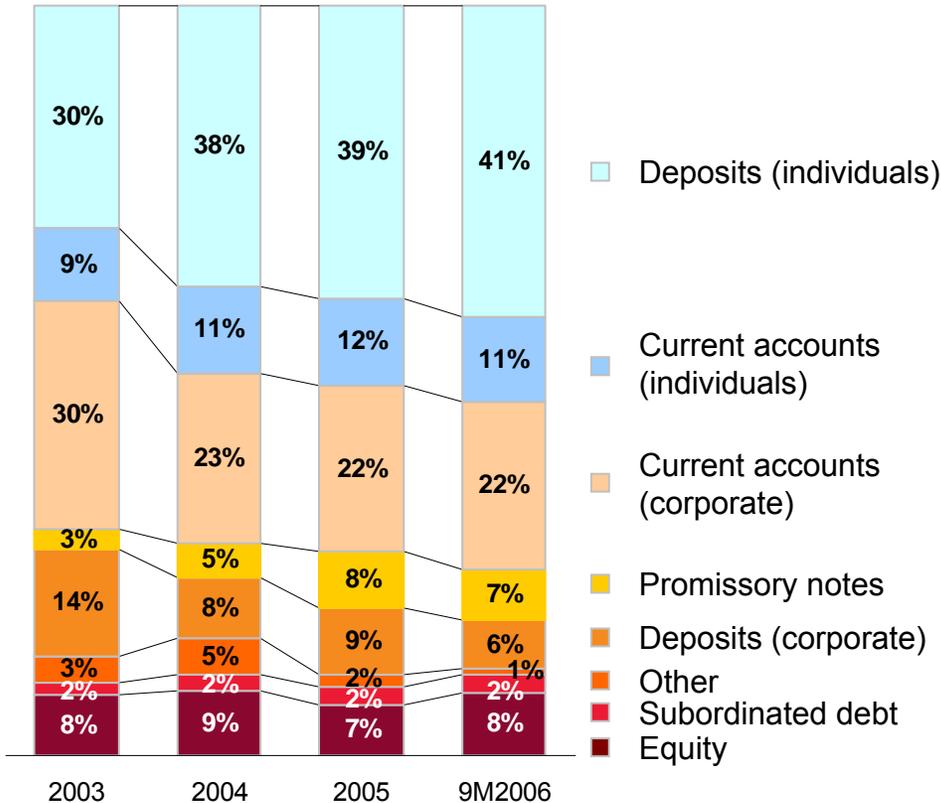
## Diversified loan portfolio



# Funding strategy

## Stable funding structure ...

\$0.9 bn \$1.1 bn \$1.7 bn \$2.4 bn

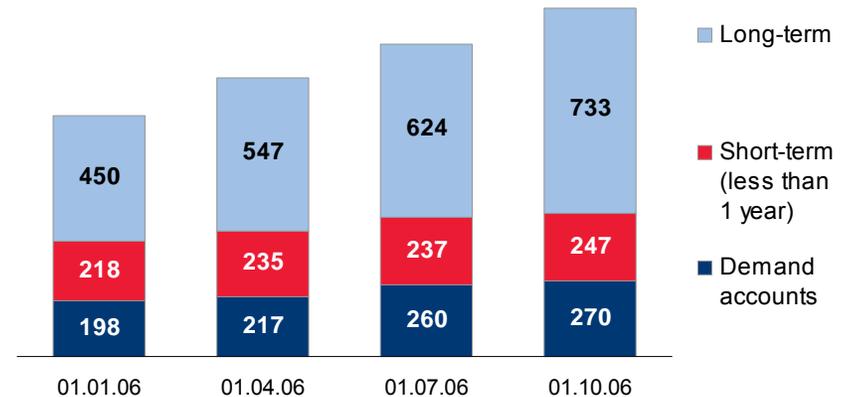


- Funding primarily through deposits and current accounts
- Increasing deposits from individuals - a reliable source of financing
- Stable funding – up to 45% of deposits are extended or renewed

## ... with increasing maturity

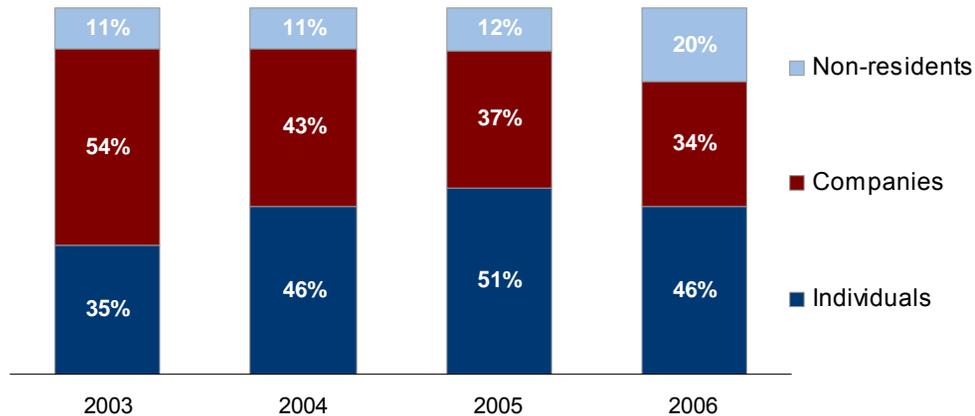
### Term structure of retail deposits

\$0.9 bn \$1.0 bn \$1.1 bn \$1.2 bn



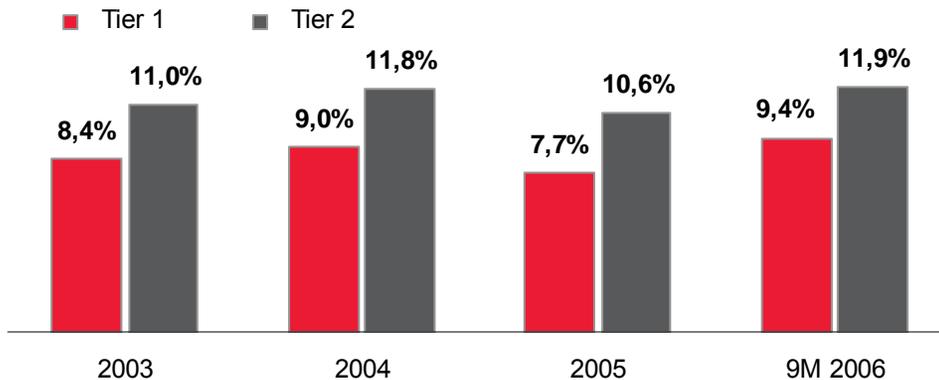
# Capital strategy

## Diversified share capital structure



## Efficient use of capital

### Capital adequacy



- MICEX, RTS and German stock exchanges listings
- Included in RTS-2 Index in 2006
- Growing number of professional investors
- Increasing liquidity of shares
- New debt and equity to support organic growth
- No plans for strategic partnership or mergers & acquisitions

# Risk Management & Corporate Governance

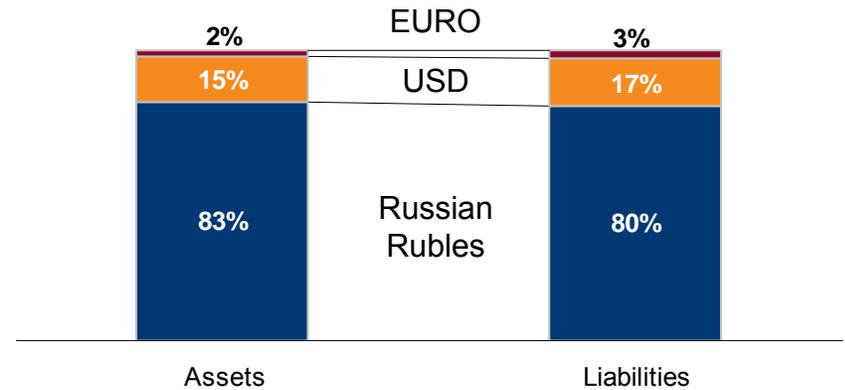


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# Prudent management of assets and liabilities

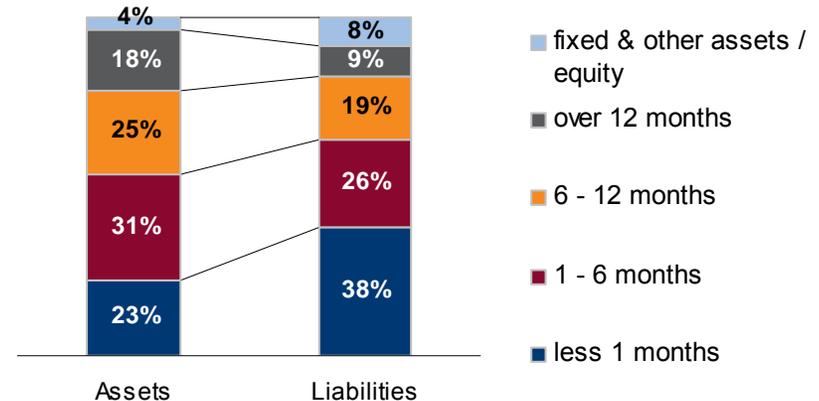
- Management Board approves all risk limits and policies
- Treasury manages liquidity risk, very limited proprietary positions
- Reduced currency risk due to a balanced mix of assets and liabilities
- Interest rate risk managed on daily basis within limits
- Strict compliance with all Central Bank's requirements

## Low currency risk exposure



Note: all data as of September 30, 2006

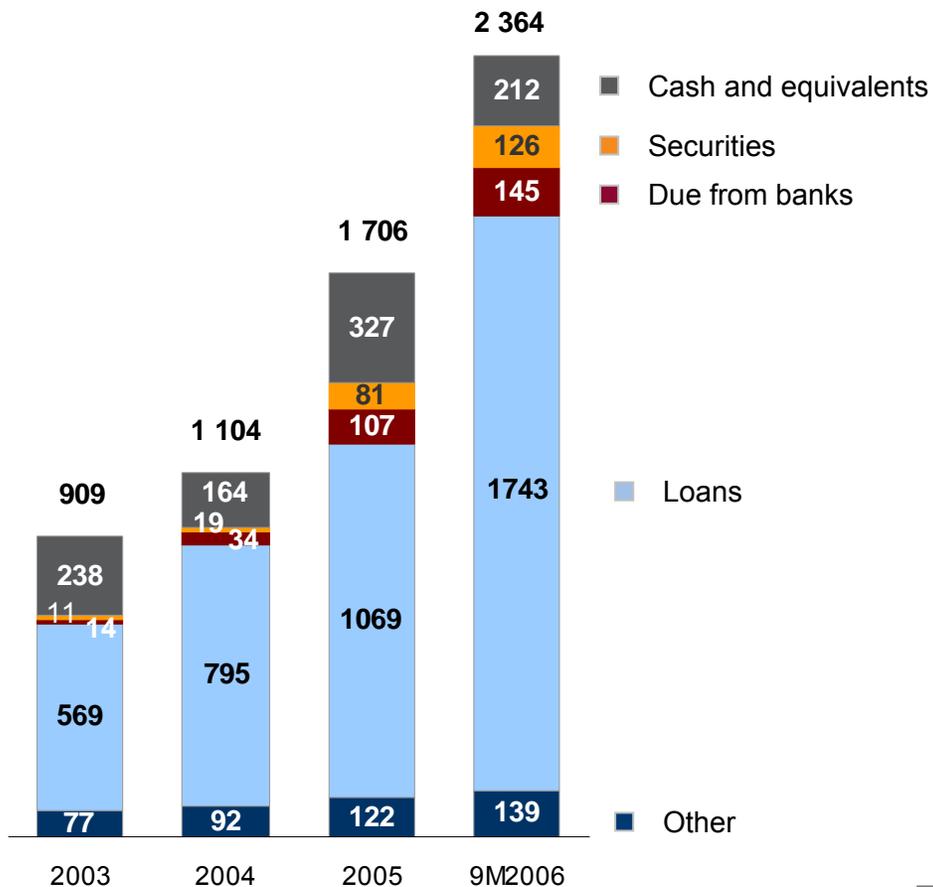
## Balanced maturity of assets & liabilities



Note: all data as of September 30, 2006

# Limited market risk

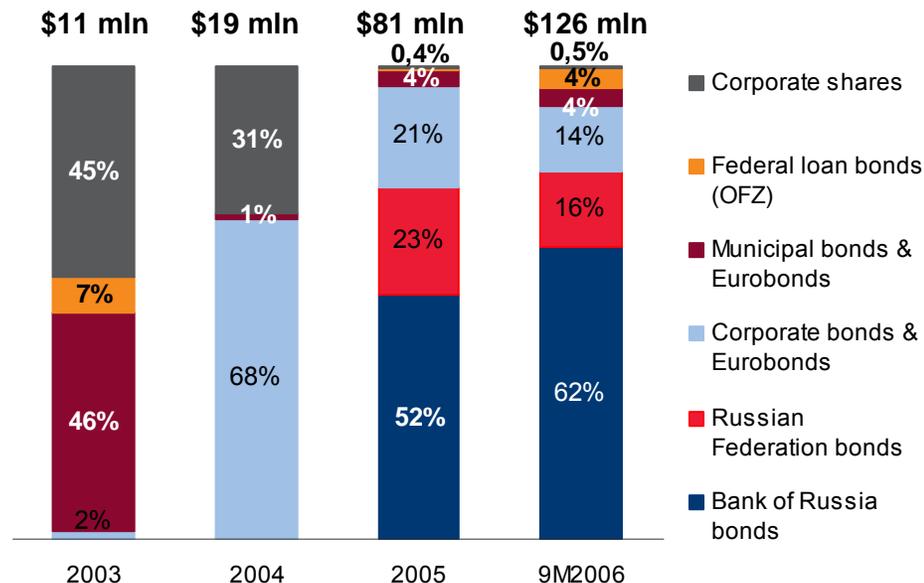
## Dominant position of loans ...



- Loan portfolio about 75% of assets
- Securities portfolio used for liquidity management purposes

## ... with balancing role of securities

### Structure of securities portfolio



# Comprehensive credit risk management approach

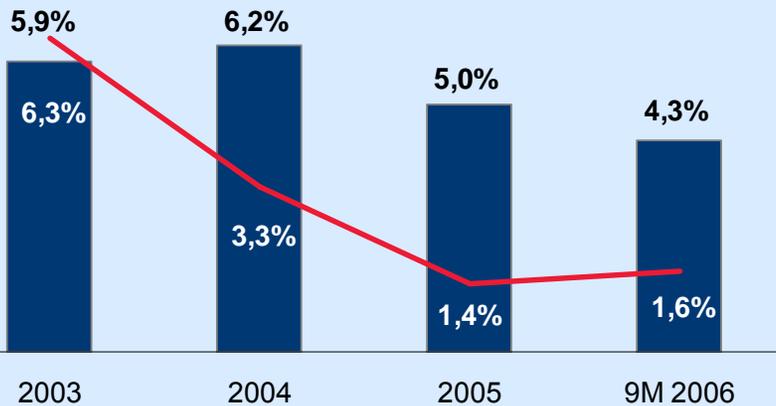
**Loan extension limits in branches**

**Proactive provisioning policy**

**Diversified loan portfolio**

## Declining credit risk exposure

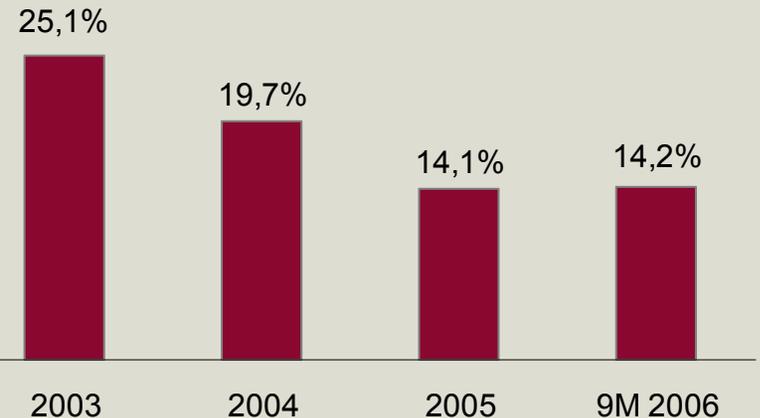
— Overdue loans\* \ Total loans   ■ Provisions \ Total loans



\*Overdue loans – past due either on principal or interest for more than 1 day

## Decreasing concentration of loans

■ Borrowings of top-10 borrowers \ Total loans



**Collateral for corporate loans and mortgages**

**Lending only to clients with a positive record**

**Established retail scoring procedures**

# Strong corporate governance

- 12 members in the Board of Directors, including 8 independent directors\*
- Corporate Governance Code of the Bank developed with IFC assistance
- Comprehensive internal control system
- Timely information provision to shareholders
- Quarterly IFRS
- Audited IFRS accounts since 1991

STANDARD  
& POOR'S

**The most shareholder  
transparent bank  
in Russia - 2006**

*“... 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*



\* three of the eight independent directors have been on the Board of Directors for more than 5 years, and according to Russian legislation, they are not considered “independent” although they have no other connections with the bank except as directors of corporate clients of the bank.

# Financial Performance

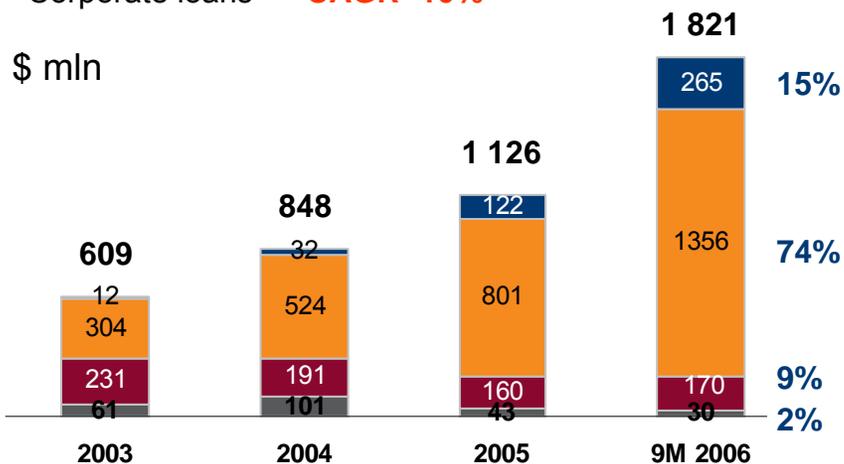


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# Balance Sheet

## Strong organic growth in loan portfolio ...

- Retail loans **CAGR 204 %**
- Loans to SMEs **CAGR 72%**
- Corporate loans **CAGR -10%**

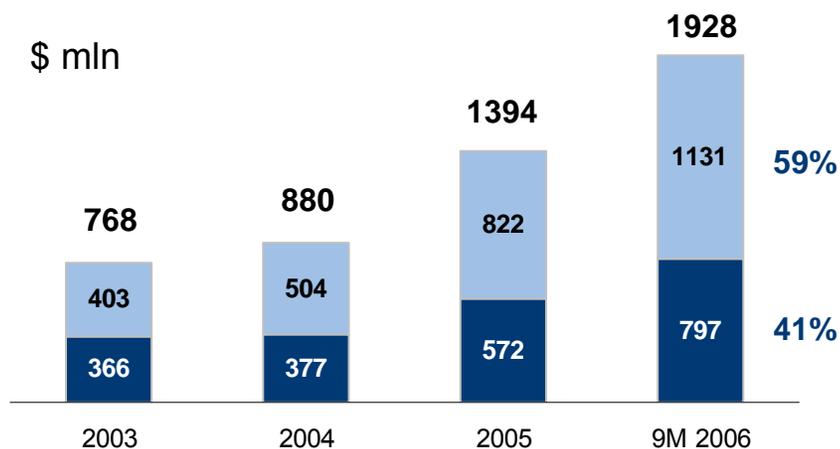


Note: all loans are gross loans

- Driven by retail and SME lending
- Organic growth

## ... funded by deposits with increasing maturity

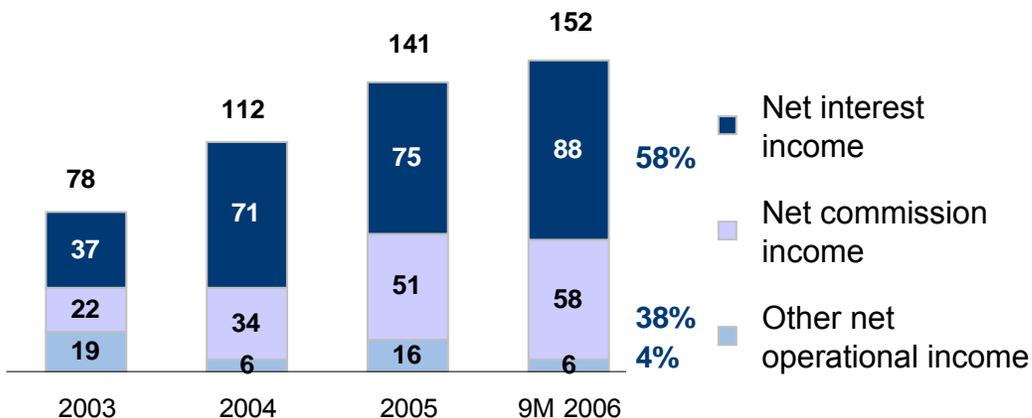
- Term deposits **CAGR 46%**
- Current accounts **CAGR 33%**



- Benefiting from stable domestic funds
- High client loyalty

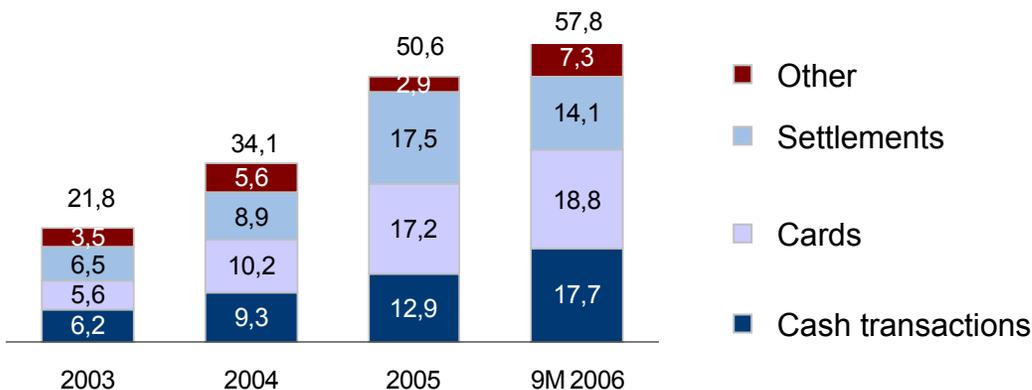
# Revenues

## Operating income, \$ mln



- Impressive growth in operating income and commissions
- Diversified revenue sources
- Interest income has been the main revenue contributor ...
- ... but commission income has been steadily increasing its share
- Credit cards and settlements have been driving growth in commission income

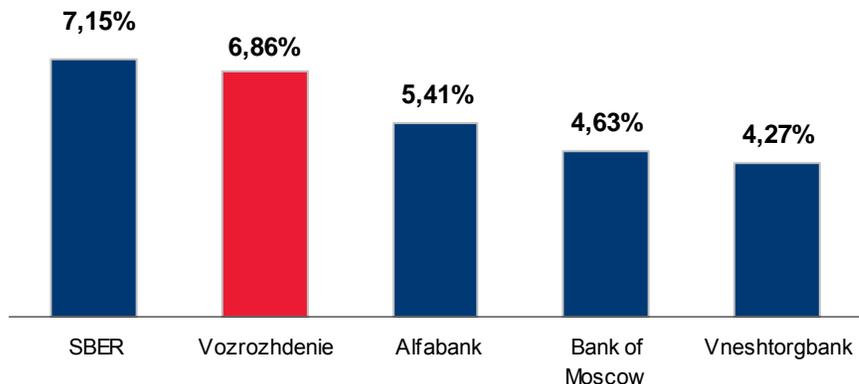
## Net commission income, \$ mln



# Profitability and operational performance

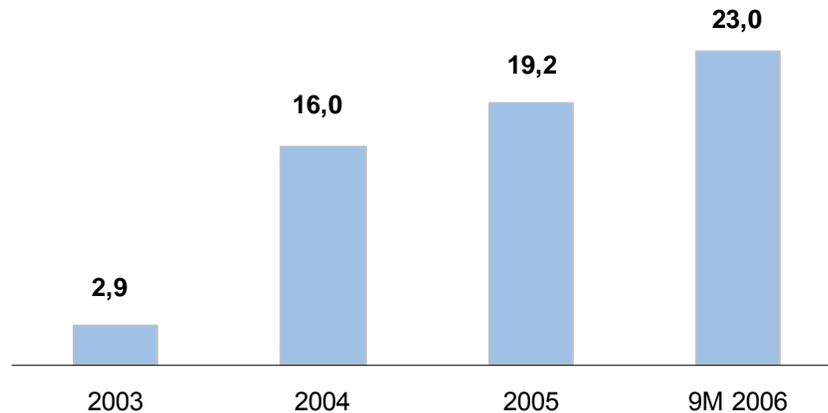
Mid-term targets: **60 - 62%** - cost to income, **20 - 25%** - ROE

## Net interest margin, %

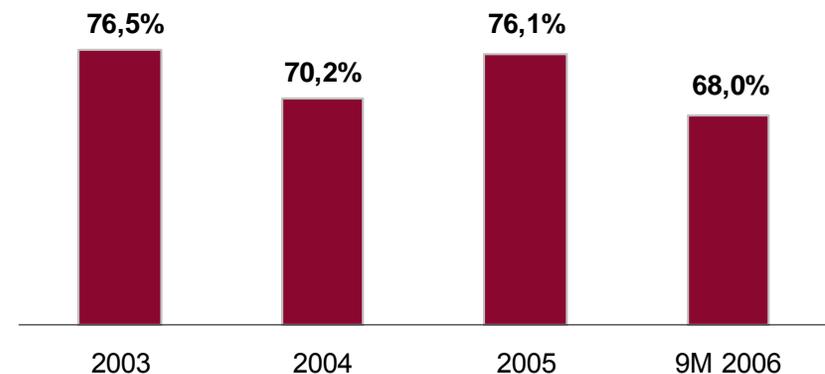


Source: 1H2006 IFRS accounts of the banks, Renaissance Capital estimates

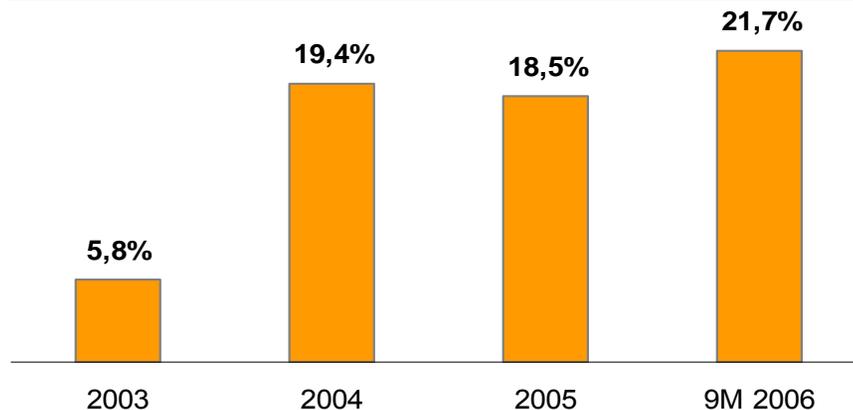
## Net income, \$ mln



## Cost to income ratio, %



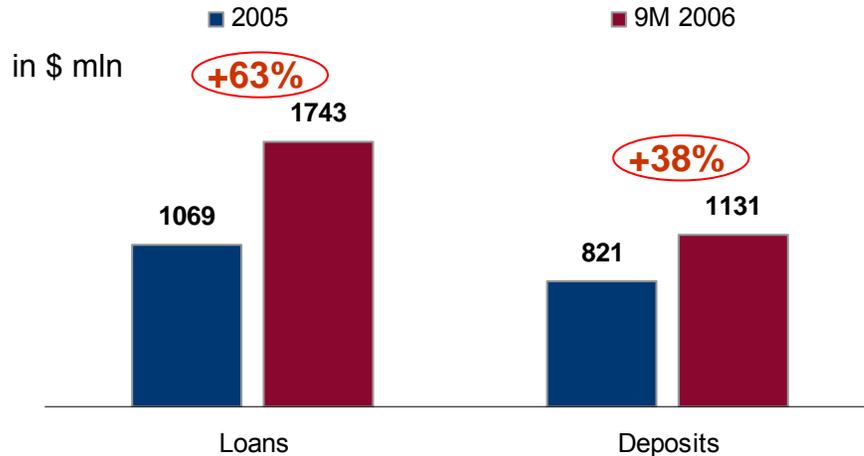
## ROE, %



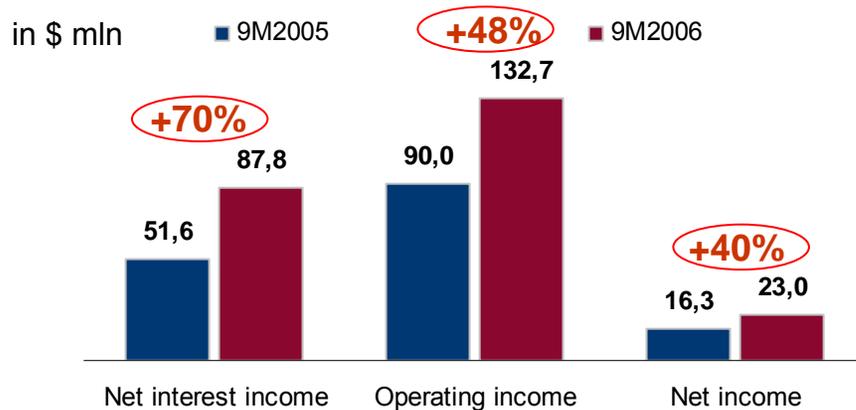
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# Strong 9M'06 financial performance

## Strong Balance Sheet growth



## Impressive growth in profits



- Strong growth in loan portfolio and deposits
- Net interest income in 9M'06 up by 70% on year-on-year basis
- Improving operating performance – cost to income ratio before provisions down from 75% in 9M'05 to 68% in 9M'06
- 40% growth of net income

# Investment opportunities



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# Summary: key points of investment story

- Potential in Russia
  - ✓ Potential in retail and SME
- Clear strategic vision
  - ✓ Strong positioning
  - ✓ Proven management
- Good governance
  - ✓ Independence
- High quality organic growth
  - ✓ High potential regional development
  - ✓ Rapid growth based on existing client base
- Stability, continuity and profitability
  - ✓ Track record – 15 years

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



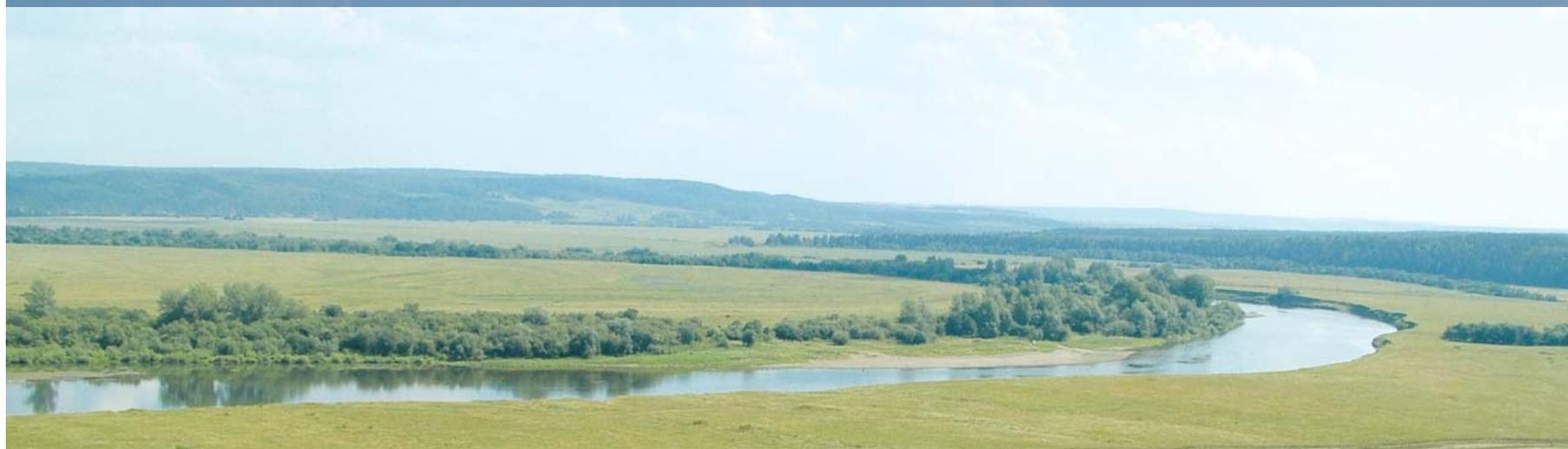
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**Thank you**



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