



**VOZROZHDENIE  
BANK**

THE BANK THAT IS ALWAYS WITH YOU

# Bank Vozrozhdenie

## Strong niche player in SME & retail markets



Investor Presentation  
April 2009

# Content

- Brief review of macro changes
- Business overview
- Recent IFRS results
- Challenges and plans for 2009
- Investment summary
- Facts and Figures

# Russia - macroeconomic changes

	2008E	2009E
Real GDP Growth	+6.7%	-2.4%
Oil Price (Urals NWE price)	91.7 \$/bbl	41.0 \$/bbl
Exchange rate (annual average)	24.9 Rbl/\$	35.1 Rbl/\$
Inflation	12.9%	13.0%

## Current situation

- No more ruble depreciation at the moment
- Oil prices stabilization
- Underestimation of Russian stocks
- Consumption decrease

Source: Ministry of Economic Development Forecast, Renaissance Capital Estimates

# Business overview



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

## Vozrozhdenie Bank strategy...

- Focus On Core Banking Products
- Servicing Corporate Customers In Each Stage Of Business Development
- Servicing retail customers throughout their whole life-cycle
- Balanced Lending and Funding policy
- Focused regional expansion, branches, and ATMs

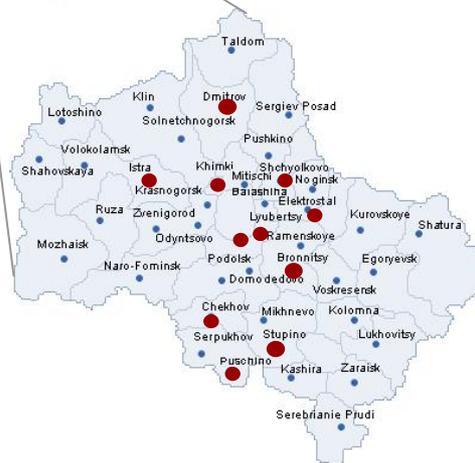


...service...

1 270 000 Retail Clients  
59 000 Corporate Clients

...via...

20 Regions  
176 Offices  
642 ATMs

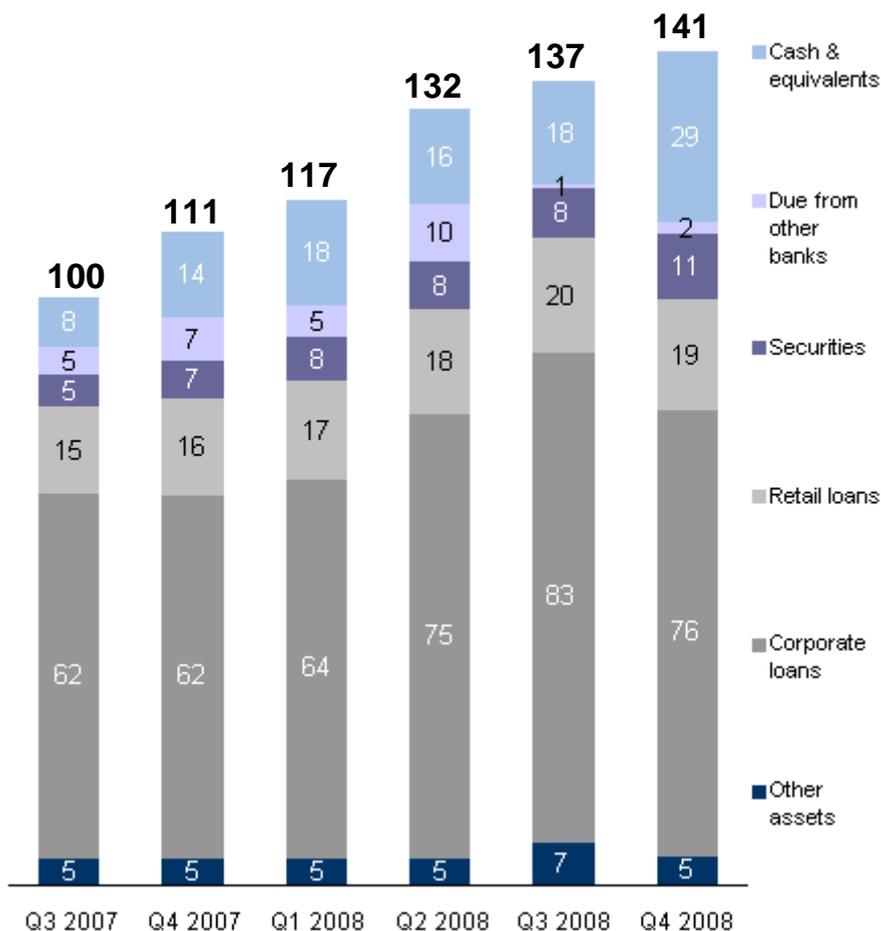


● - Additional offices opened in '07-'08

# “Fortress” balance sheet

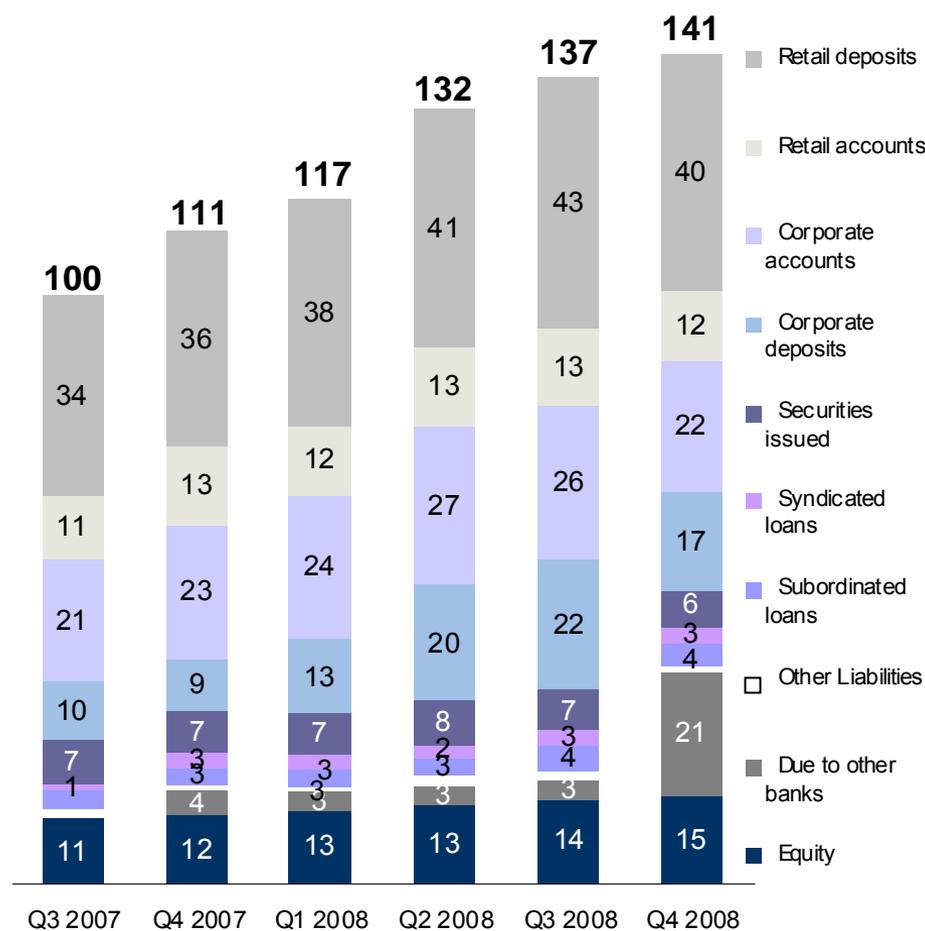
## Building up liquidity for use in difficult times

RUB bln



## Low share of wholesale funding

RUB bln

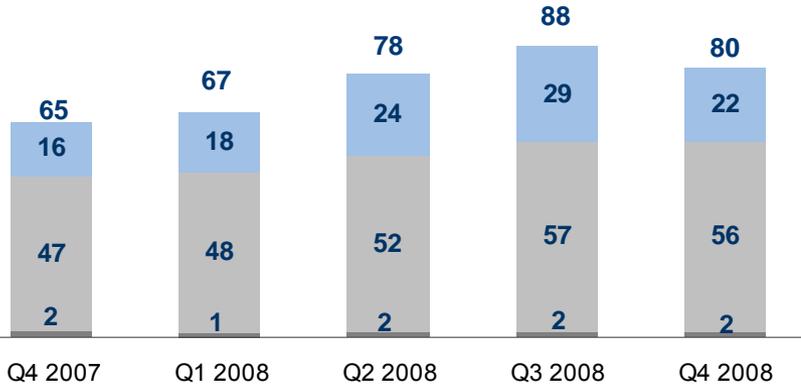


# Corporate lending

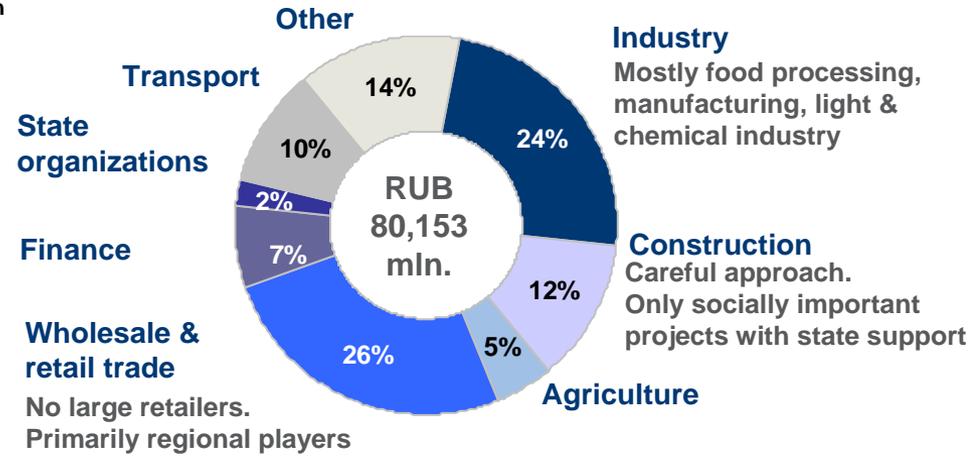
## SME is still priority

- Large corporate clients
- SME
- Administrations

RUB bln



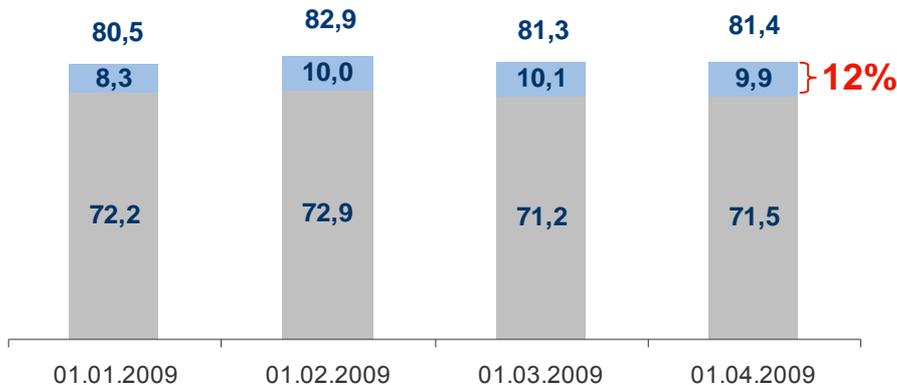
## Industry diversification



## Currency breakdown (RAS)

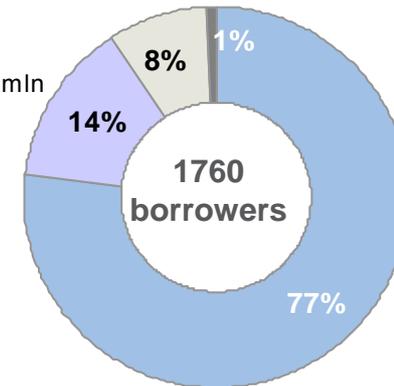
- FX loans
- RUB loans

RUB bln



## Corporate loans breakdown by number

- Up to 30 mln
- 30-100 mln
- 100-750 mln
- more than 750 mln



More than 90% of loans are less than RUB 100 mln

# 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.
<b>Large business</b>	>300	>750	>300
<b>Medium-size and small businesses</b>	6 - 300	30 - 750	6 - 300
<b>Micro businesses</b>	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



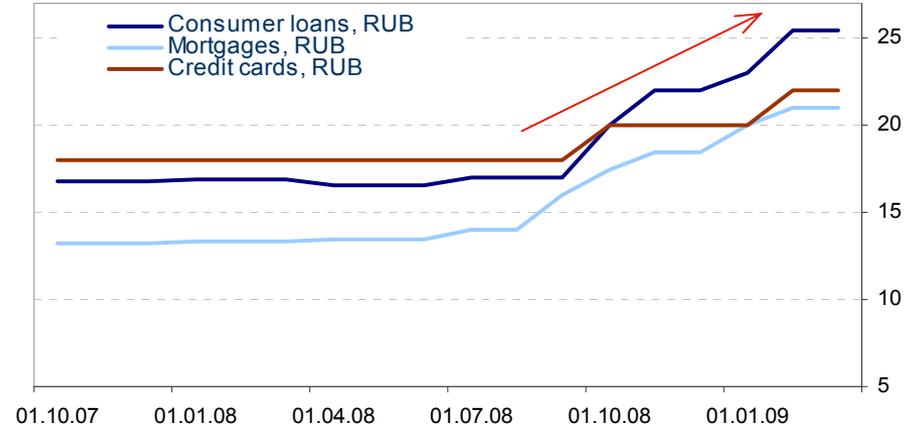
Food retailers– small chains of handy stores “Close-to-House” style for daily shopping located in dormitory area with high density of population

# Retail lending

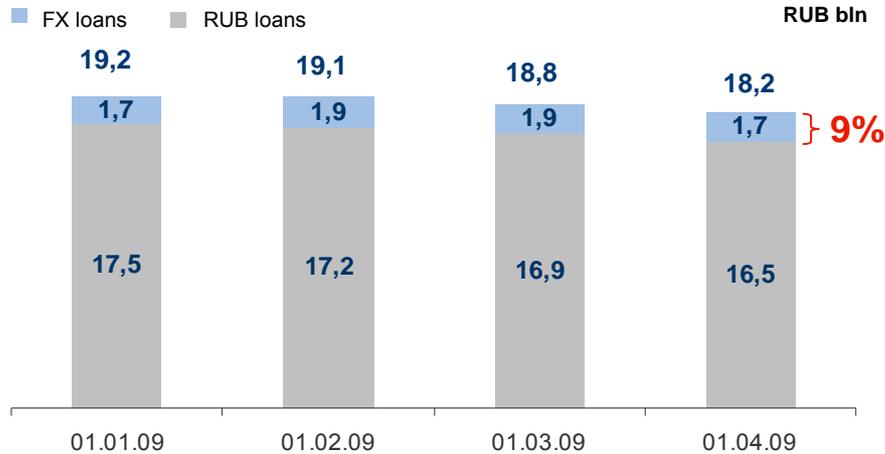
## Retail loan book growth (IFRS)



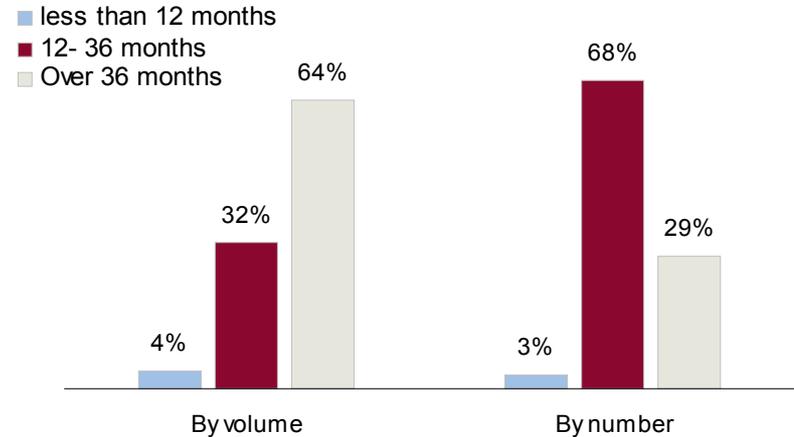
## Retail loans rates, %



## Currency breakdown (RAS)



## Retail loans by original term



# Credit policy

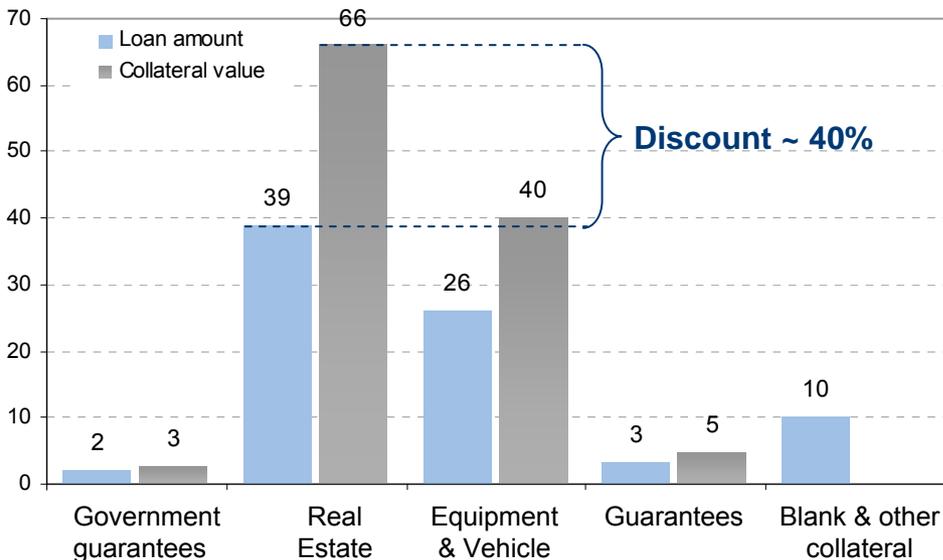
## Reliable Collateral

Data as of January 01, 2009

- About 81% of loan portfolio collateralized by real estate/equipment/vehicles.

- Average LTV ~ 70%.

RUB bln



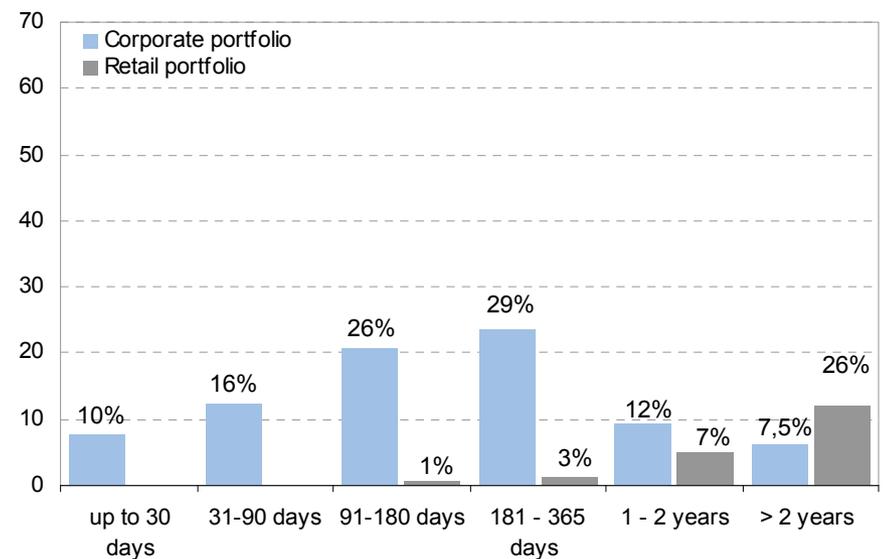
## Maturity breakdown

Data as of January 01, 2009

- About 80% of corporate loan portfolio with maturity less than a year

- Long-term retail is mostly RUB denominated mortgages with early repayment option

RUB bln



# 1998 - our positive “crisis experience”

**Total loans**

**Growth from RUB 6,5 bln in 1998 to 9,4 bln in 2002**

**Overdue loans**

**Maximum: RUB 84 mln in 2000**

**Rescheduled loans**

**Maximum: RUB 4,0 bln in 2000**

**Charge to provisions**

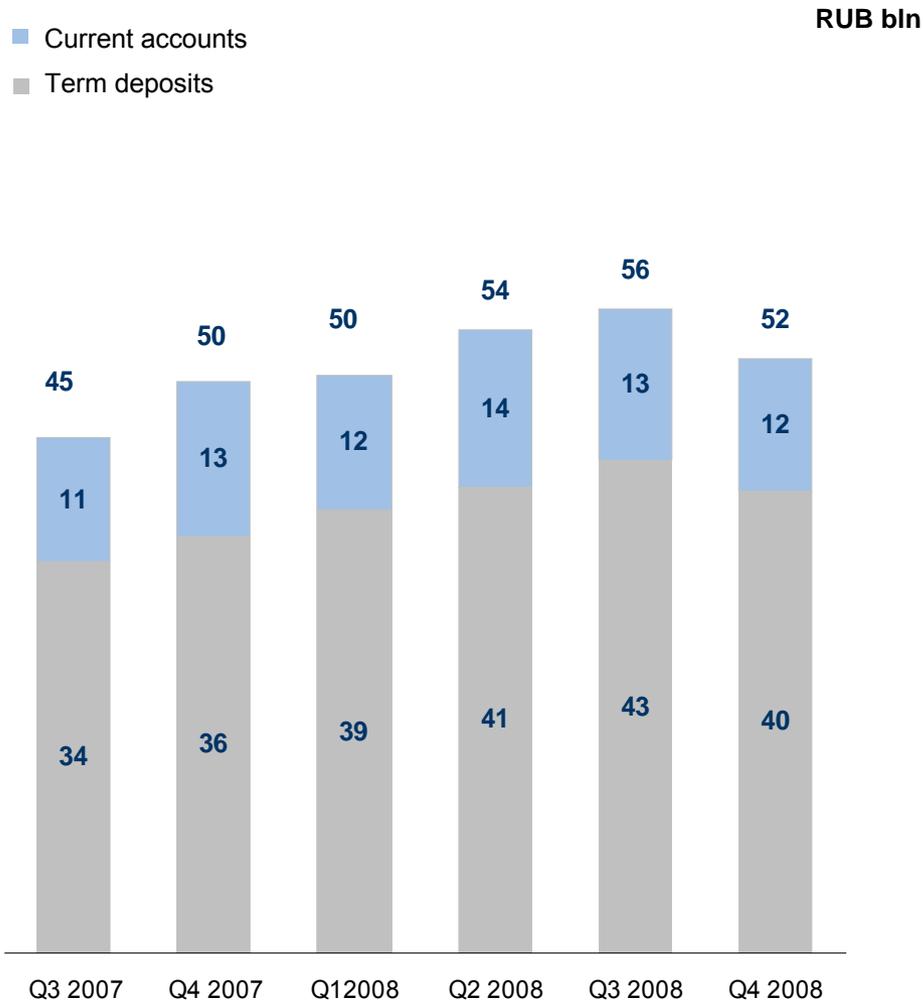
**2,2 bln charged in 98-99 with most part recovered later**

**Written-off as uncollectable  
using provisions**

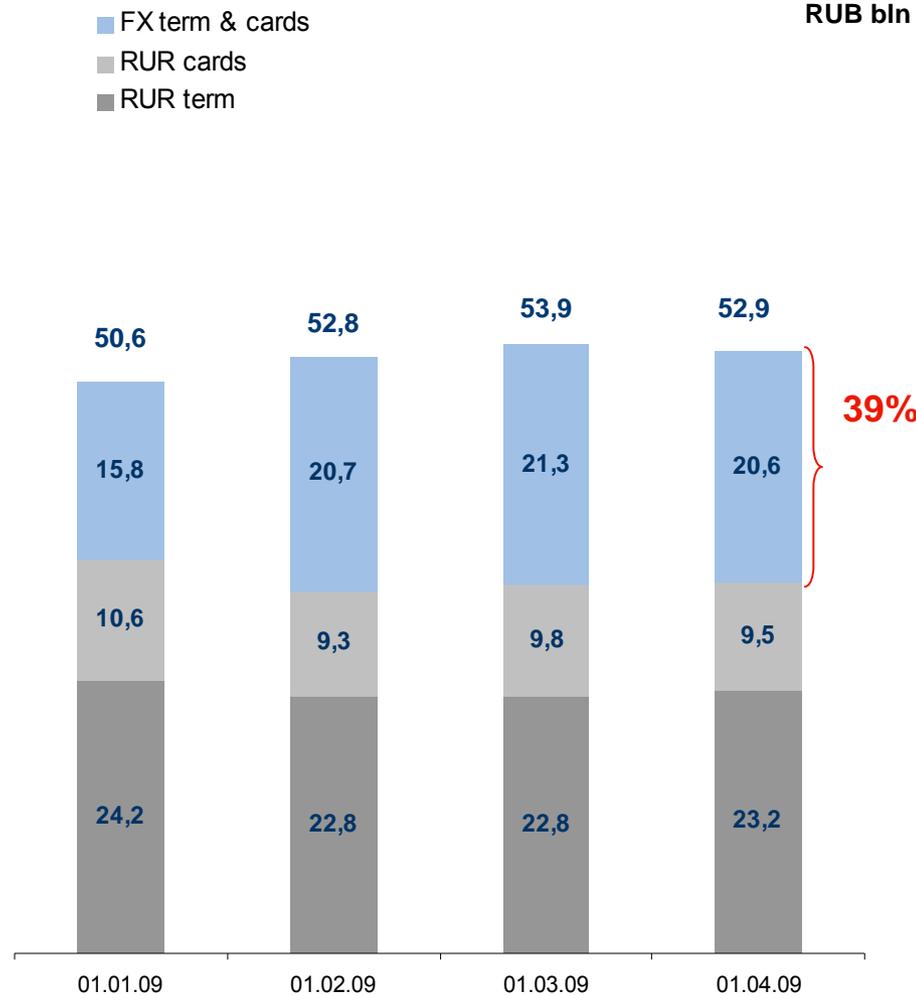
**Total write-offs during 1998-2002 were only 364 mln.**

# Retail funding

## Growth trend (IFRS)



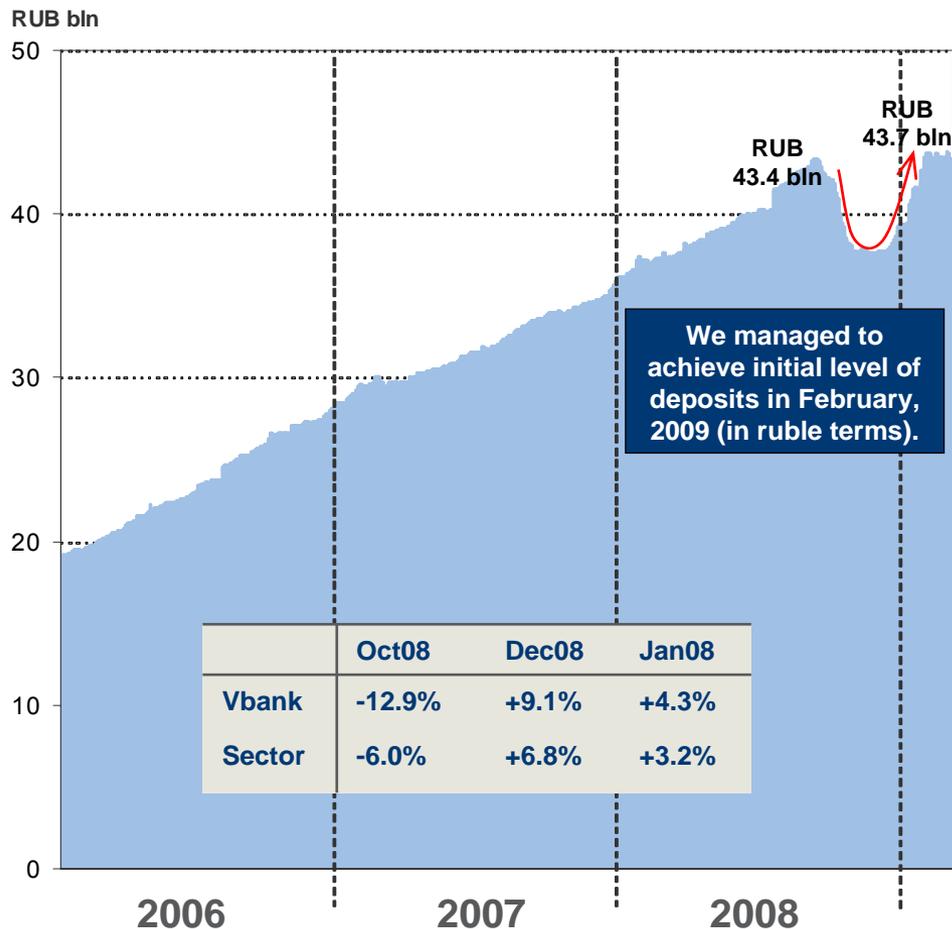
## Currency breakdown (RAS)



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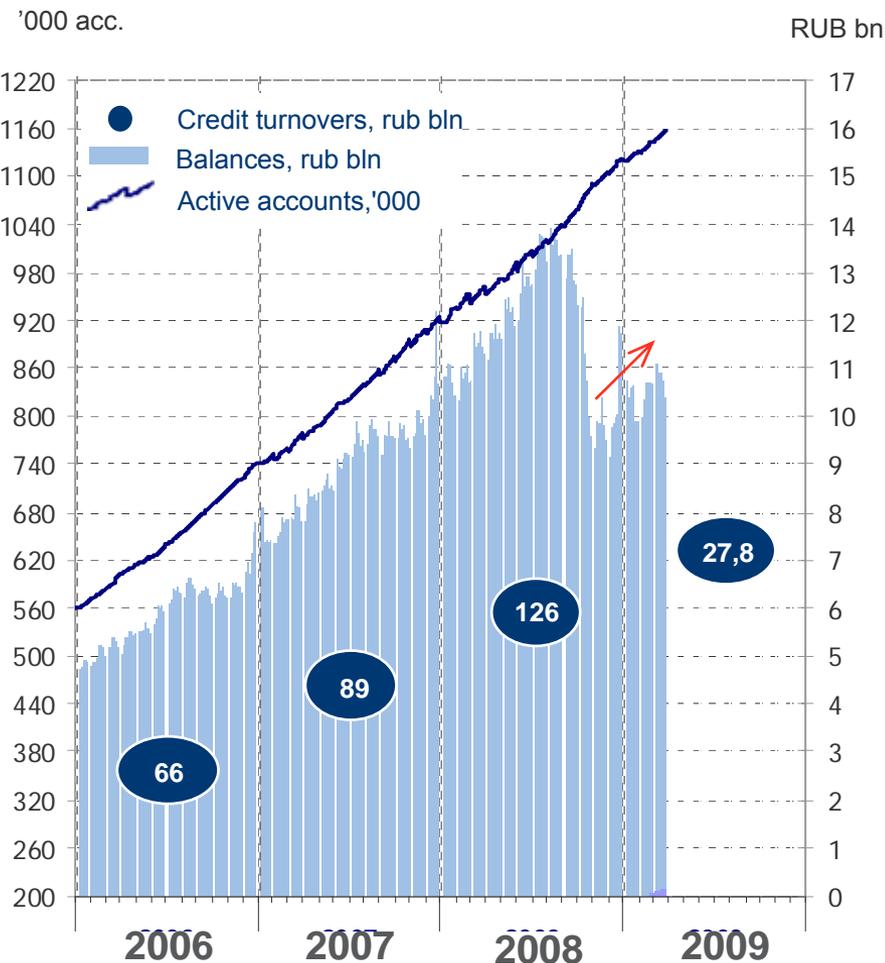
# Retail funds trends

## Retail deposits, 2006-2009



Source - CBR, estimates - Vozrozhdenie

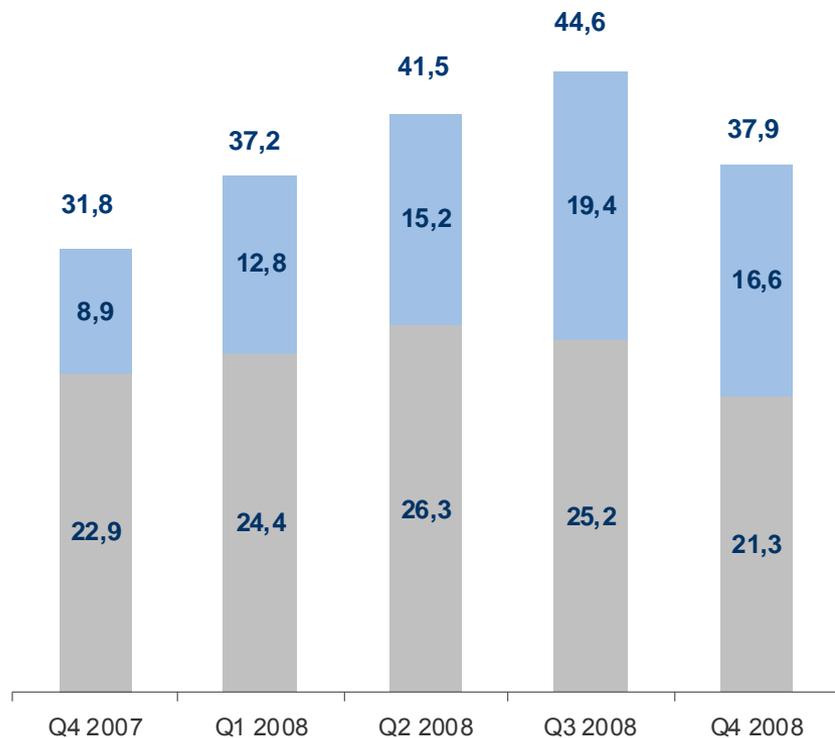
## Card accounts, 2006-2009



# Corporate funding

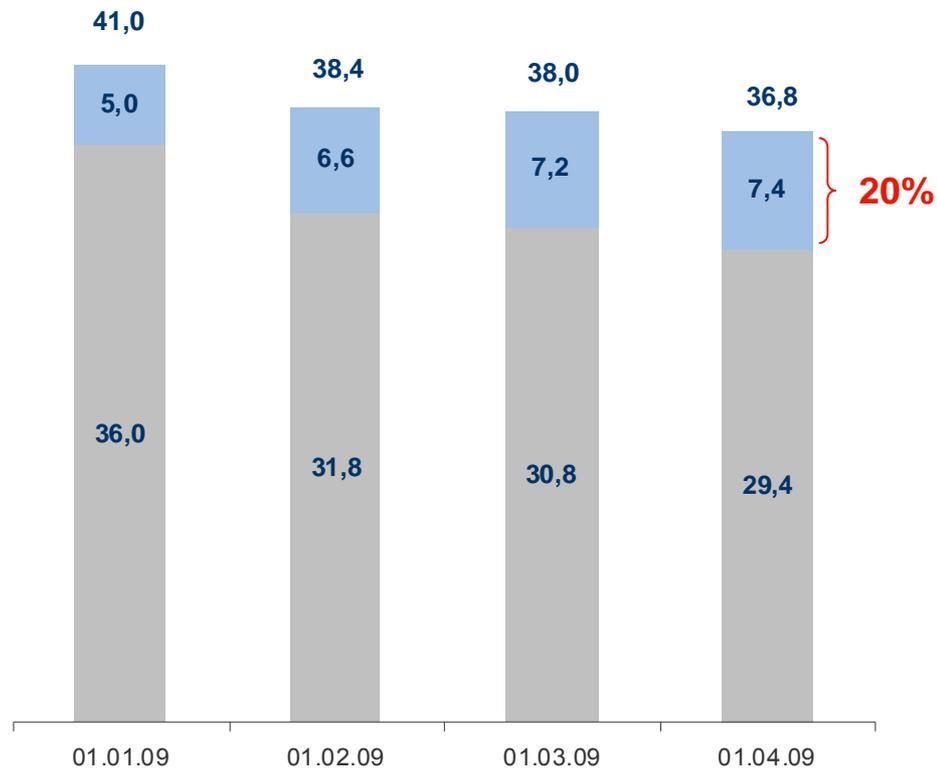
## Primarily transaction accounts (IFRS)

- Term deposits
  - Current accounts
- RUB bln



## Currency breakdown (RAS)

- USD deposits
  - RUB deposits
- RUB bln



# Recent IFRS results



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# 2008 Financial highlights

Net Income	ROA	Cost to Income	Capital Adequacy	ROE
RUB 3,1 bln	2.45%	52.7%	16.5%	23.3%

## Strengths

- Strong capital ratio and liquidity
- Continued good revenue and income
- Conservative level of provisioning
- Small share of risky FX-assets
- Low dependence on market funding
- High level of corporate governance

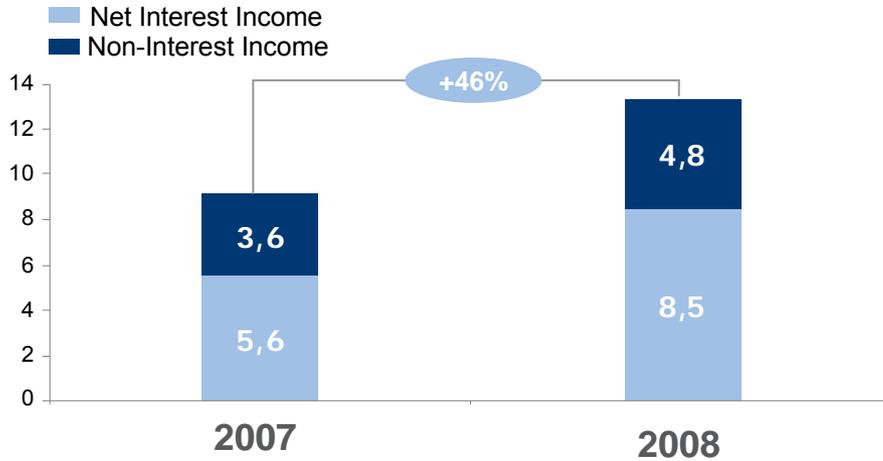
## Challenges

- Credit quality deterioration
- Further ruble depreciation
- Funding availability
- Improvement of efficiency

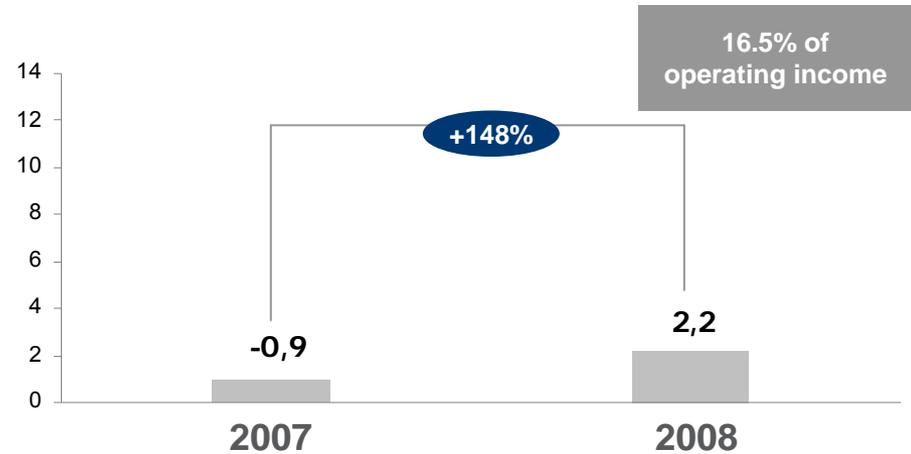


# Still strong income generation capacity

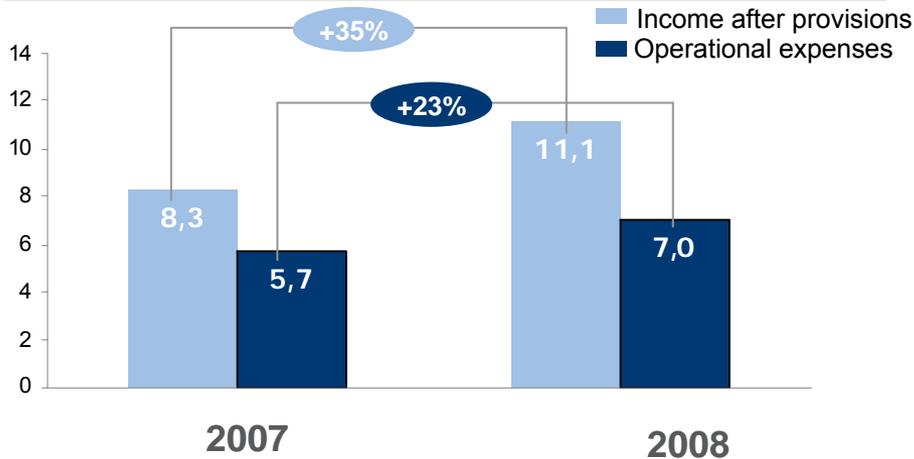
## Operating Income, RUB bln



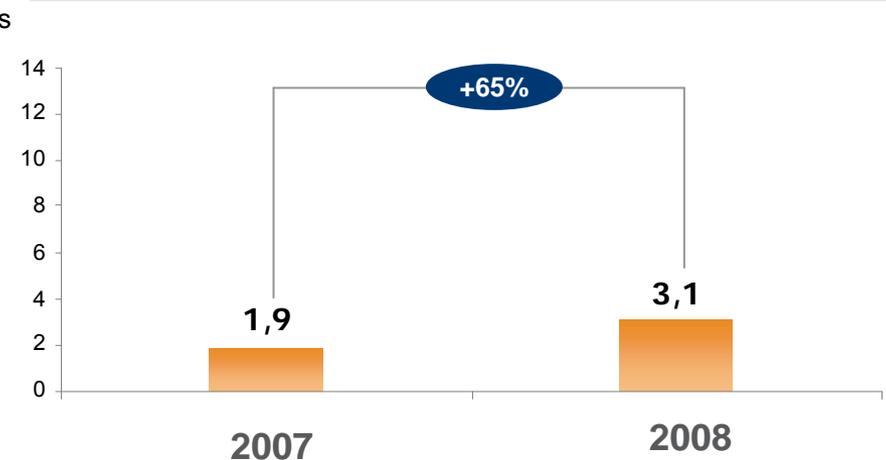
## Provisions, RUB bln



## Income/Expenses, RUB bln



## Net profit, RUB bln



# All targets hit



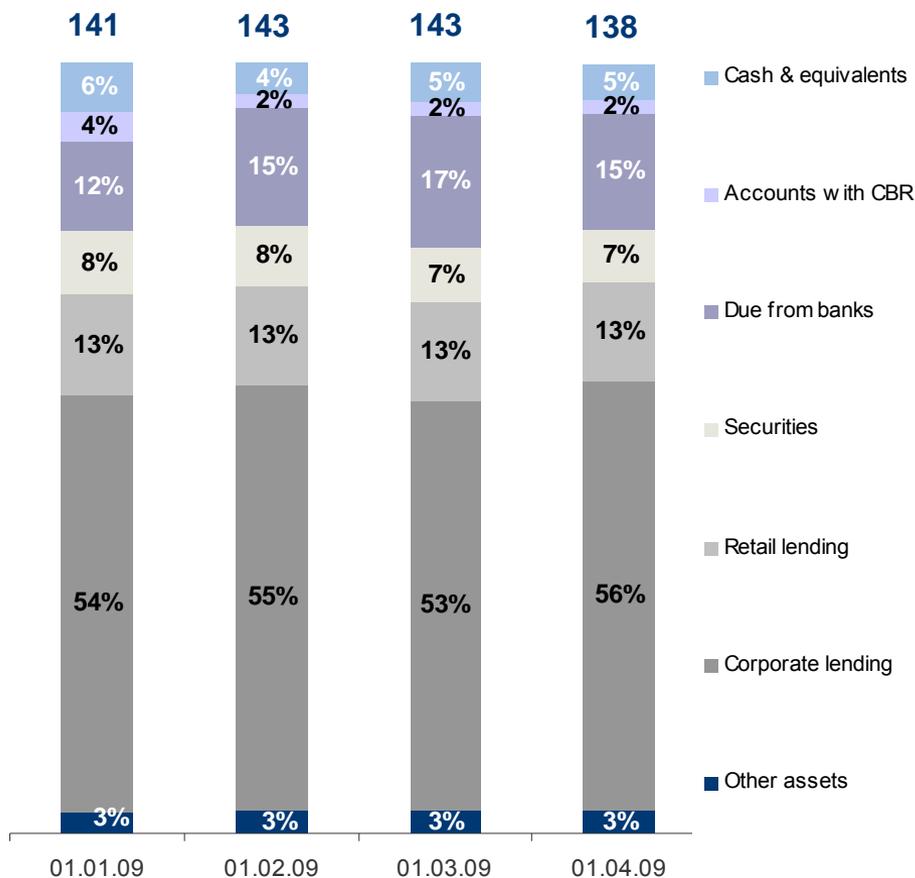
	2007	Plan 2008	2008
Return on Equity	21.0%	20 – 25%	23.3%
Cost to Income	62.7%	53 – 55%	52.7%
Return on Assets	2.07%	2 – 2.5%	2.45%
Capital Adequacy (Basel II)	15.8%	15%	16.5%



# Recent balance sheet changes (under RAS)

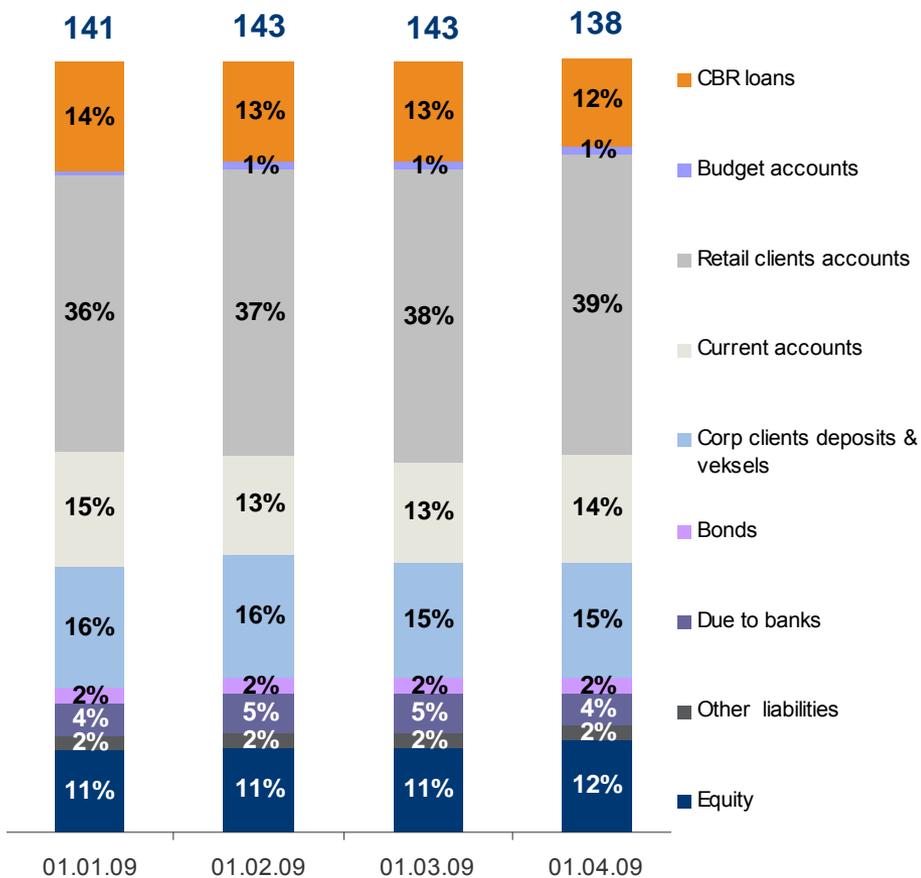
## Slightly less lending & liquidity in place

RUB bln



## Starting recovery of deposit base

RUB bln



# Challenges and plans for 2009



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# Main challenges for 2009

**Credit quality**

**Funding**

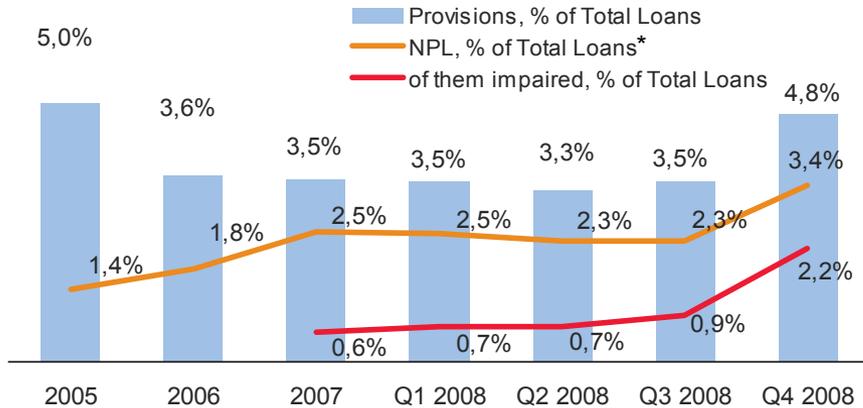
**Ruble depreciation**

**Efficiency**



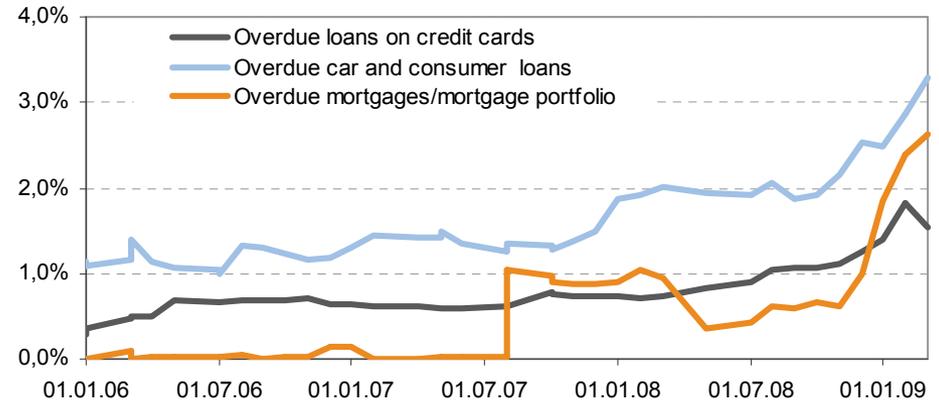
# Credit Quality Management

## Credit Risk



\* NPL includes the whole principal of loans at least one day overdue

## Retail over-due loans\*



\* Over-due includes the whole principal of loans at least 30 day overdue

## What we have already done

### Corporate lending

- Lending limits were revised
- Branches authorities are temporarily suspended
- Review of collateral adequacy:
  - 40% discount to the value of collateral
  - Additional collateral was required if necessary

### Retail lending and credit cards

- Tightening standards in retail underwriting model
- Interest rates and fees were raised
- Cards are issued only for existing clients, RUB denominated and with minimum limits
- Centralizing of work with over-due loans

# Credit quality outlook

as of 31.12.2008	Large corporate	SMEs	Mortgages	Other retail	Total	% of total loans
<b>Gross loans, including</b>	21 852	58 301	9 373	9 806	99 332	100.0%
Current loans	21 852	55 669	9 007	9 421	95 949	96.6%
Past-due, of them		2 632	366	385	3 383	3.4%
Less than 30 days		453	193	93	739	0.7%
Over 30 days		395	90	12	497	0.5%
Impaired		1 784	83	280	2 147	2.2%
<b>Provisions</b>	- 732	- 3 422	- 192	- 411	- 4 757	4.8%
<b>Net Loans</b>	21 120	54 879	9 181	9 395	94 575	-

	Over-due loans:	Provisions:
<b>Our normal scenario:</b>	5-6%	7-7,5%
<b>Our worst-case scenario:</b>	7-8%	8-9%

# Funding

## Low dependence on market funding

**Syndication** – due October 2009

- \$ 53 million
- 6M Libor + 1.2% ~ 6.0%

If no interest at the market for roll-over – repayment

**Debut bond issue:**

- RUB 3 billion – due March 2010
- Coupon - 8.95%
- MICEX A1 - CBR Lombard List

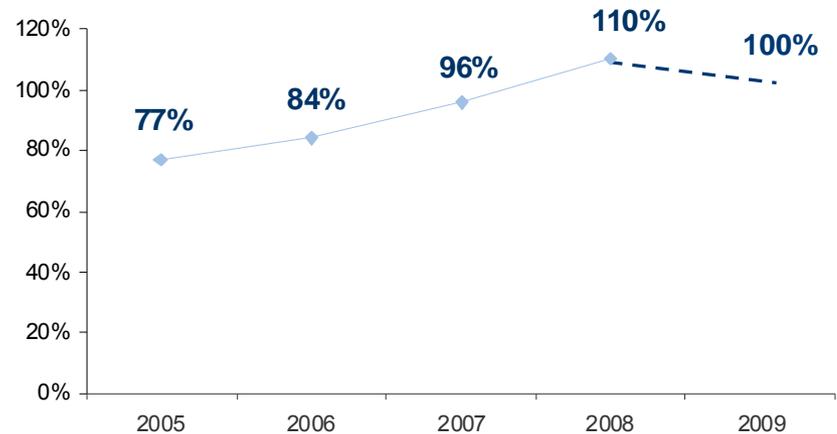
**Market funding policy –  
less than 10% of liabilities**

## Target L/D ratio less than 100%

**Autumn deposits outflow was compensated by CBR support: uncollateralised lending & REPO facilities**

**Current Loans to Deposits ratio is ~ 110% due to lower deposit base**

**Management aim is to reduce share of CBR loans in balance sheet and achieve targeted L/D ratio 100%**

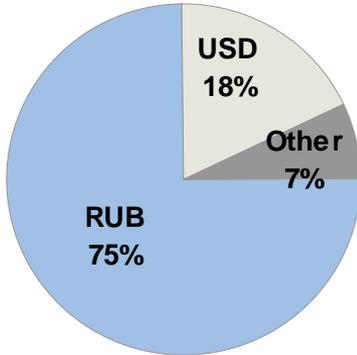


# RUB devaluation - moderate risk for capital

## Currency structure

Data as of March 01, 2009

### Assets



### Foreign currency assets

- Correspondent accounts
- Cash
- Eurobonds of best Russian corporates

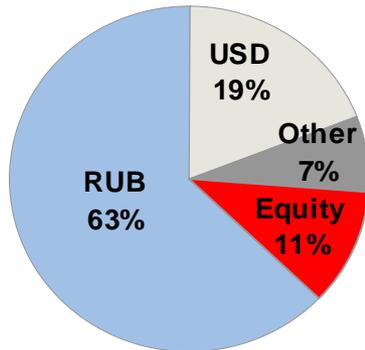
Moderate influence on CAR

### Foreign currency liabilities

- Retail deposits
- Corporate funds

Trend for conversion slowed down

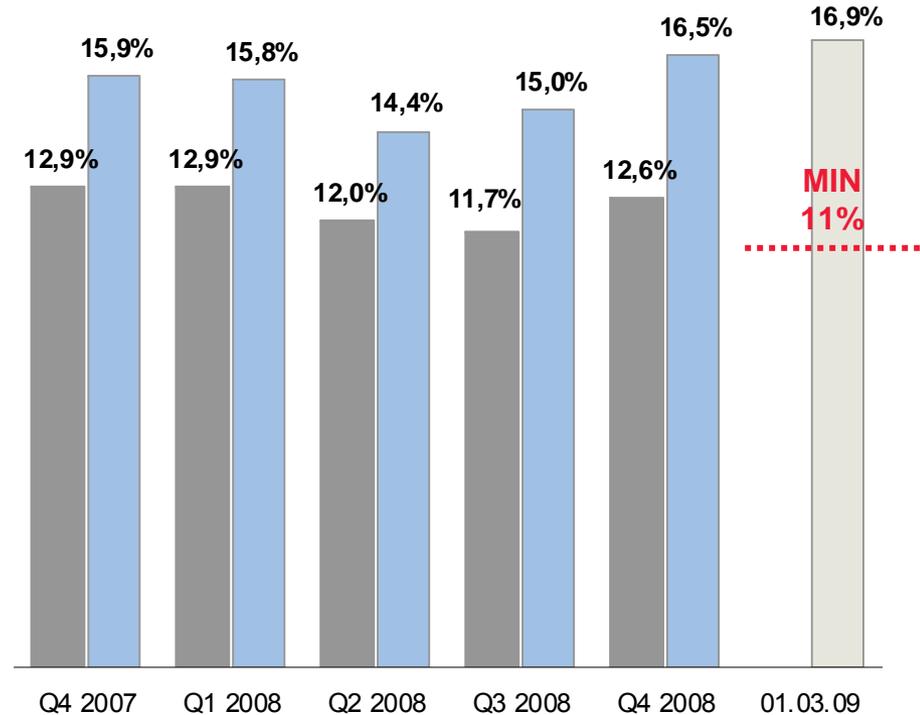
### Liabilities (less capital)



## Capital adequacy

■ Tier 1    ■ Tier 1 + Tier 2

CAR under CBR rules (H1)

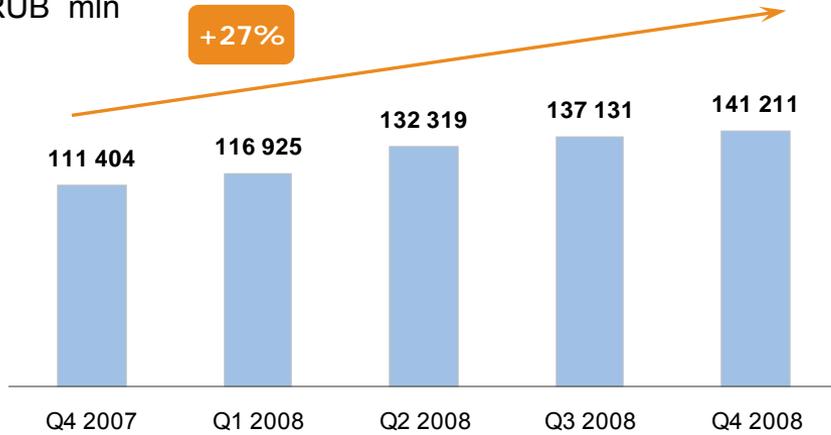


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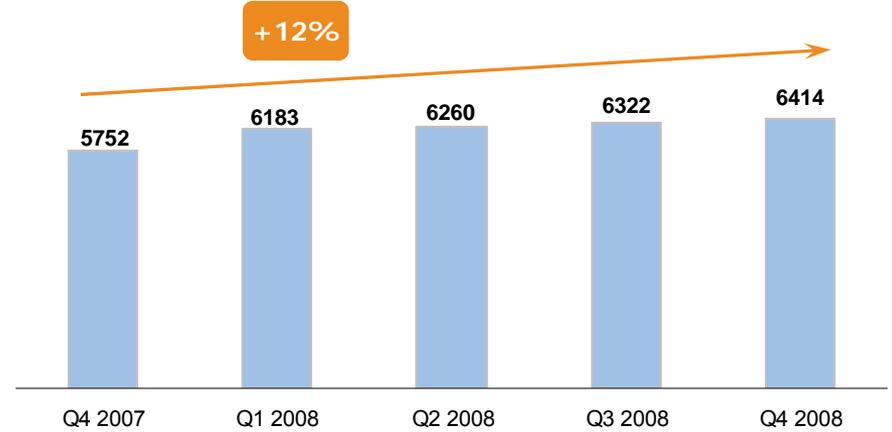
# Time to work on cost efficiency

## Assets growth

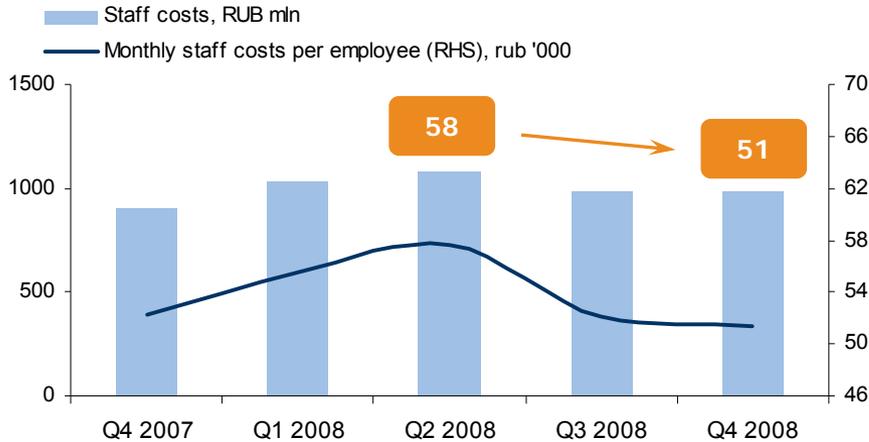
RUB mln



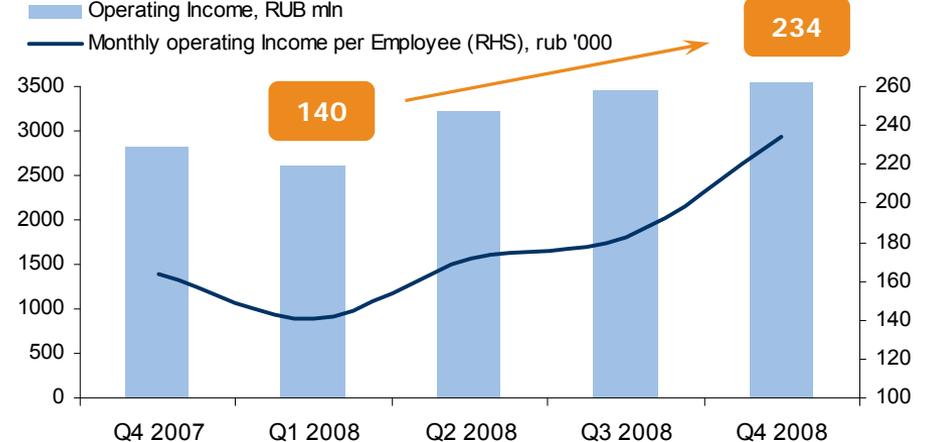
## Growth of headcount



## Staff costs per employee reduce and...

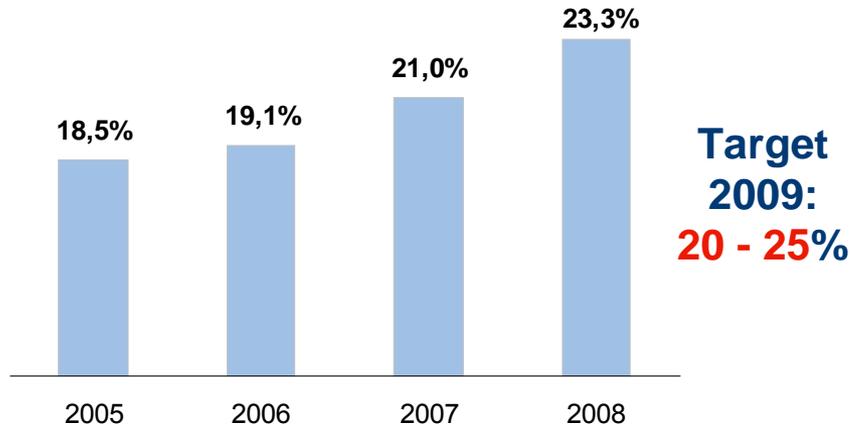


## Income per employee growth

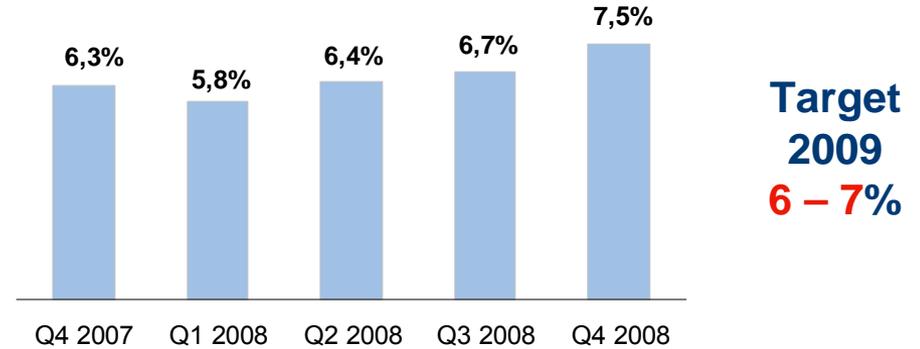


# Key performance indicators

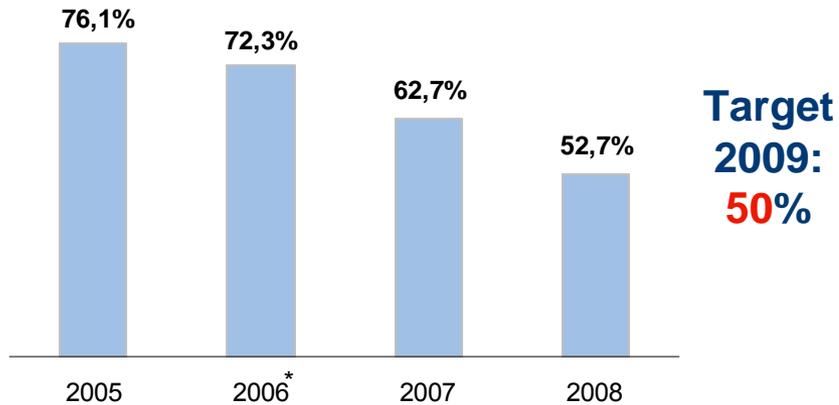
## ROE. %



## NIM on average assets

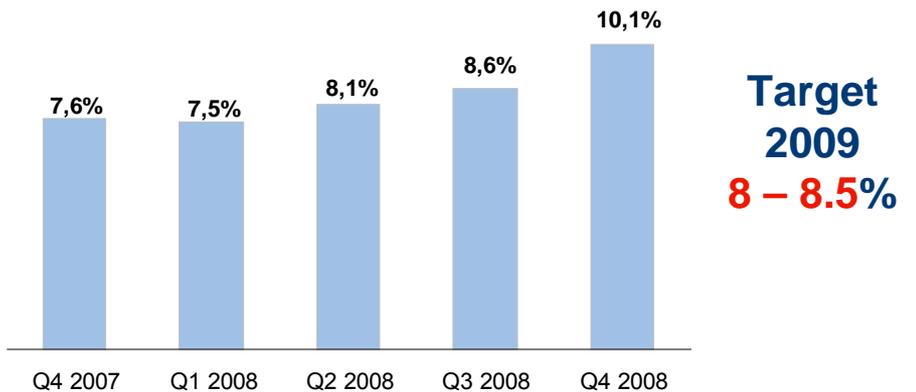


## Cost to income ratio. %



\*2006 - less extraordinary items

## Spread



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# High level of corporate governance

- Board of Directors consists of 12 members including 9 non-executive members (6 independent)

Independent directors head Audit & HR Committees

- 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
- Comprehensive system of internal audit
- Solid and professional team
- Continuing excellent reputation recognition

TOP - 5 Russia's best governed  
companies -  
2007



STANDARD  
& POOR'S **The most shareholder  
transparent bank  
in Russia – 2006, 2007**

“... 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



# Investment Summary



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# Investment Summary: Bank Vozrozhdenie

- **Sound long-term strategy**
  - Proved in a challenging environment
  - High profitability on any size of the balance sheet
  - Strong lead in expanding regional SME and retail markets
  - Rising efficiency
- **Current Challenges**
  - Funding: back to loan to deposit ratio below 100% from 110%
  - Credit quality
  - Ruble depreciation
- **Personal Bank for individuals and corporate clients**
  - 60% of client base concentrated in Moscow region
  - Corporate focused on SME – wholesale and retail trade, food processing, light industry, local utilities etc.
  - Business diversity and flexibility
- **High risk management and corporate governance standards**
  - № 1 in Information Transparency to Shareholders by S&P (2007&2006)
  - Moody's Ba3 just confirmed in Mar'09, S&P sticks to BB- assigned in Aug'08
  - Positive track-record of communication with investors
  - Recent Board of Directors meeting held according to best practices
  - Active HR& Compensation and Audit Committees

# Additional Facts & Figures



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# Basic Information

## Key Figures

Assets	141,211 mln
Loans	99,332 mln
Retail Funds	51,837 mln
Net Income	3,137 mln
Shareholders equity	15,065 mln
ROE	23.3%
Retail Clients	1,270,000
Corporate Clients	59,000
Headcount	6,414
Offices	176
ATMs	642

## Rankings

Net Assets	28
Volume of loans to SMEs	2
Volume of retail deposits	10
Volume of total deposits	25
Profit before taxes	16
Branches	17

\* RBC most recent rankings

# Market recognition

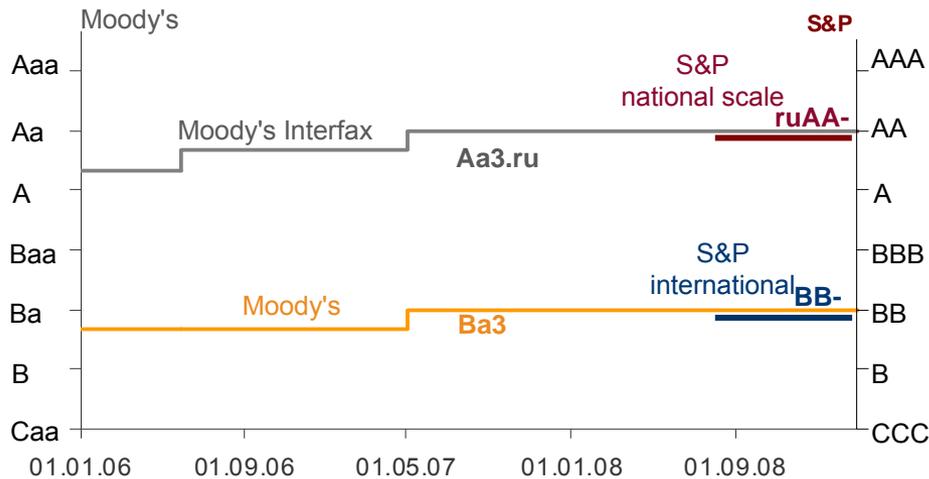
## Credit ratings

Moody's

Ba3/D-/NP, negative

Standard&Poor's

BB-/ruAA-, negative



## Listing

Included in indexes

MICEX Financial Index,  
RTS-2

Listing

A2 MICEX, A2 RTS

## High recognition of brand

### IPSOS survey

85% of respondents in our regions know us



### TNS loyalty survey

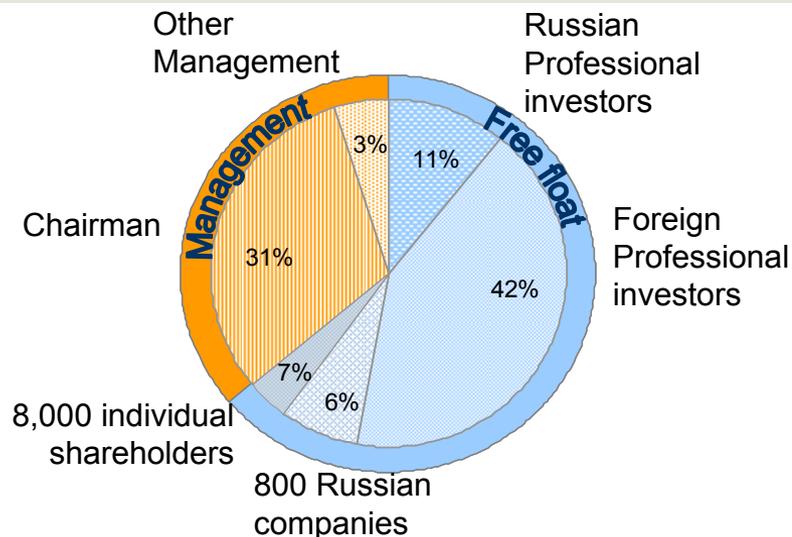
- Loyalty index equals top 10% of major international banks



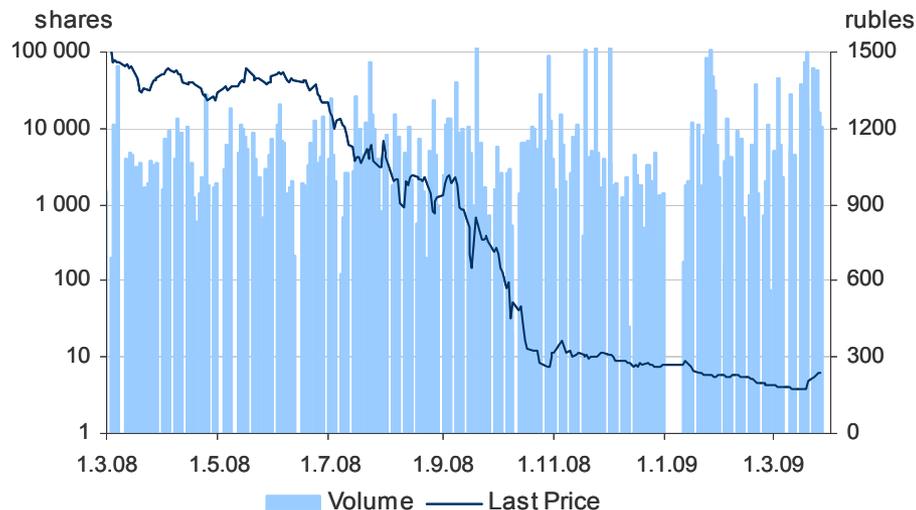
- 94% of our clients are ready to recommend us

# Share capital

## Shareholding structure (on May 12, 2008)



## Share price on MICEX



## Major shareholders

SHAREHOLDER	STAKE IN EQUITY
Dmitry L. Orlov (Chairman)	30,70%
Burlington Trading Co Limited	12,71%
Brysam Global Partners, L. P. (USA)	9,37%
Total	52,78%

## Volumes of trading (shares)

	2005	2006	2007	2008	4M 2009
MICEX (from 1/8/2005)	186 347	349 130	2 050 384	2 940 351	858 548
RTS	174 238	167 152	380 851	167 612	26 000
OTC (from 23/1/2007)	-	-	14 790 607	16 624 485	1 235 003
German stock exchanges (ADR)	481 939	227 539	234 059	76 391	3 561
Total	842 524	743 821	17 455 901	19 808 839	560 154

# Distribution network

Focus on 20 regions with most diversified economies



## Moscow Region – home territory



● - Additional offices opened in '07-'08

## Replication of Moscow region model in other regions:

	Total offices	Opened in last 24M
<b>Moscow region</b>	<b>106</b>	<b>15</b>
Stavropol' Krai	13	3
Rostov-on-Don region	8	0
Volgograd	7	3
Saint Petersburg	8	5

## Branch network

	Moscow and Moscow region	Other regions
Branches	37	18
Sub branches	45	37
Retail offices	30	7
Representative offices	0	2
<b>Total</b>	<b>112</b>	<b>64</b>

# Business model

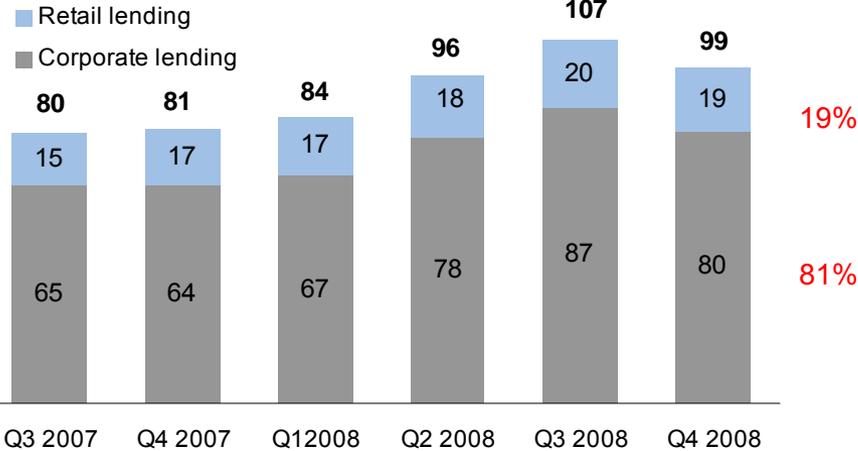
## Business based on relationships...

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

## Loan portfolio growth...

RUB bln

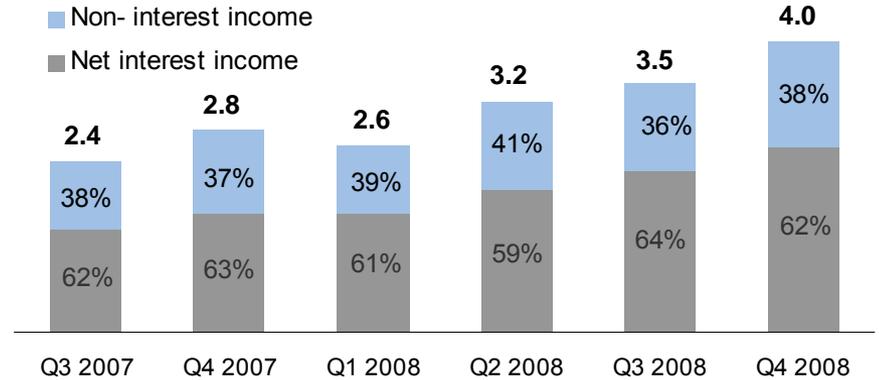
Note: all loans are gross loans



## ... gives strong non-interest income

RUB bln

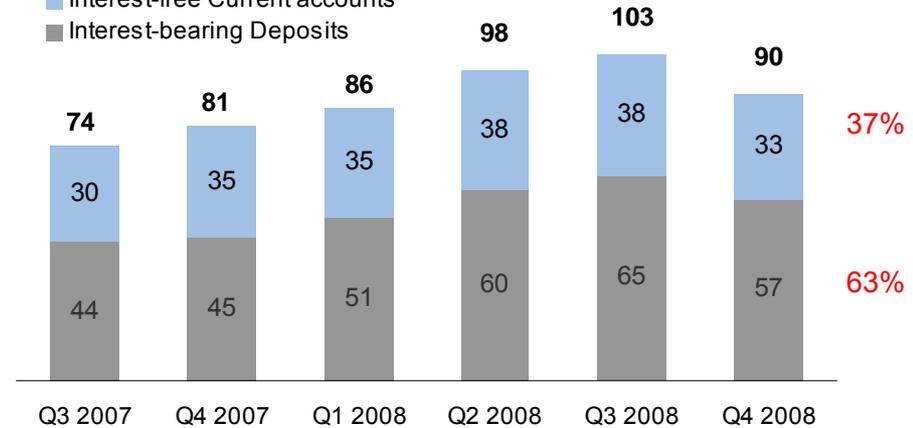
■ Non- interest income  
■ Net interest income



## ... funded by customer accounts

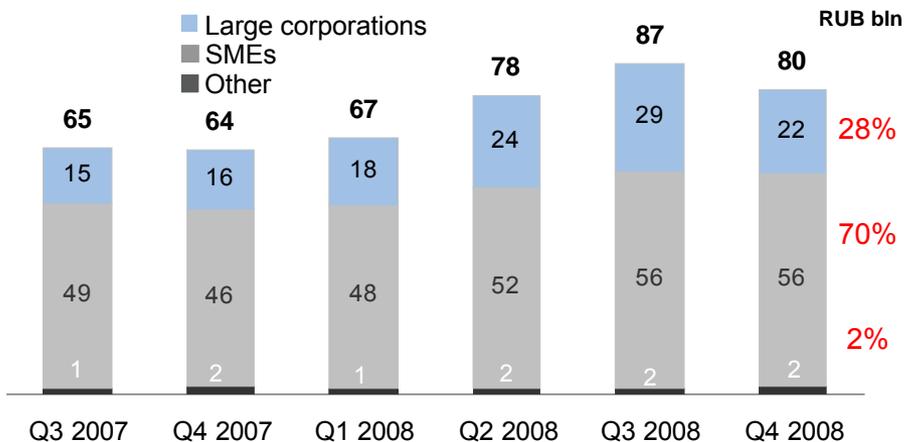
RUB bln

■ Interest-free Current accounts  
■ Interest-bearing Deposits

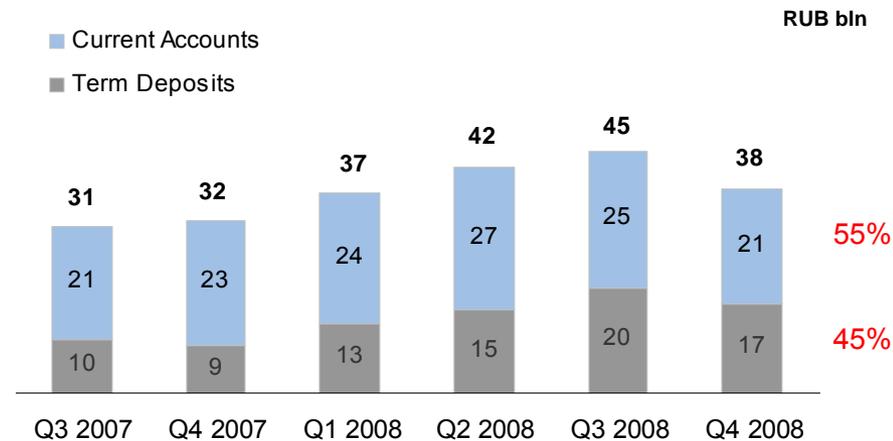


# Corporate business

## Corporate lending



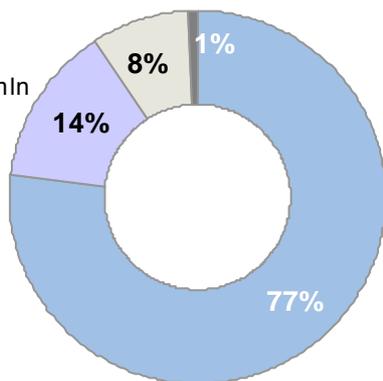
## Corporate funding



## SME focus

### Corporate loans breakdown by number:

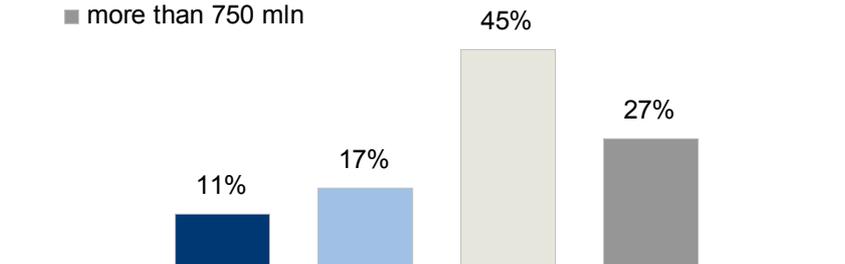
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**More than 90% of corporate loans are less than RUB 100 mln**

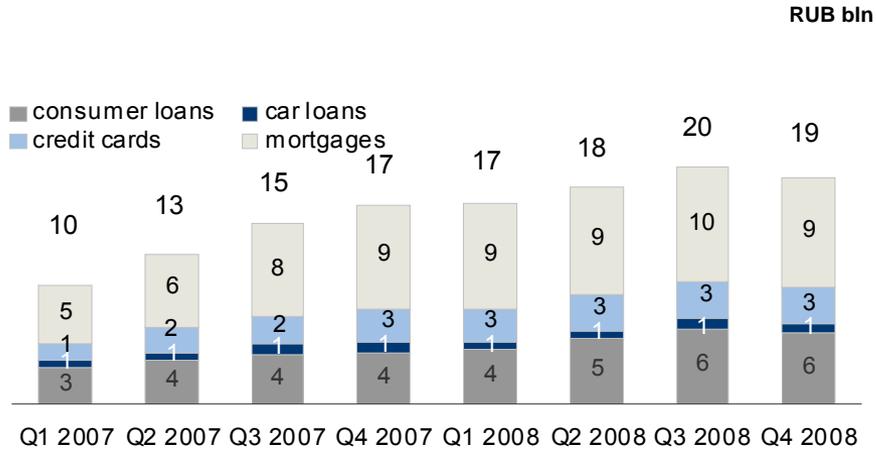
## Corporate loans by size

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- 100-750 mln
- more than 750 mln

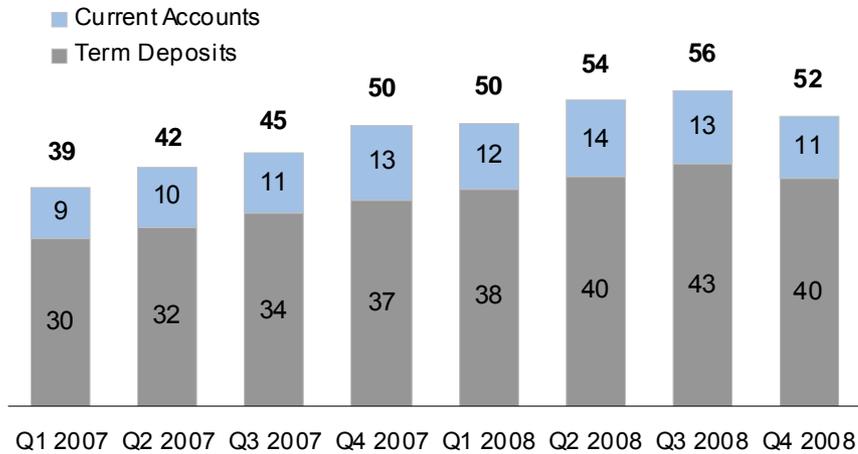


# Retail business

## Retail loan book growth

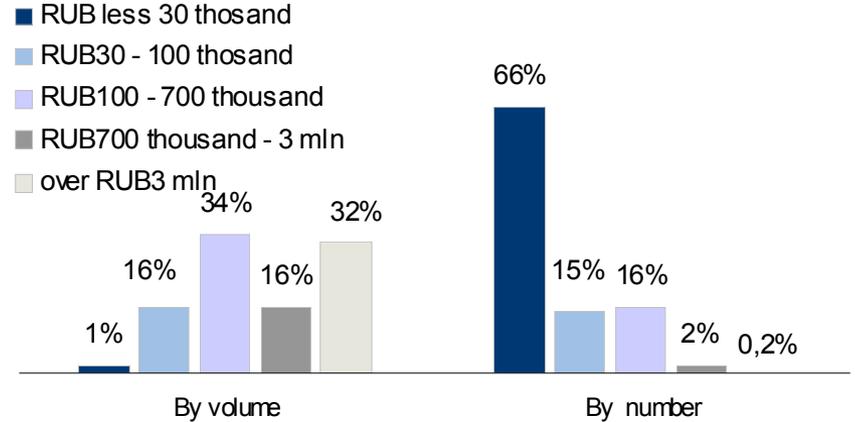


## Retail funding



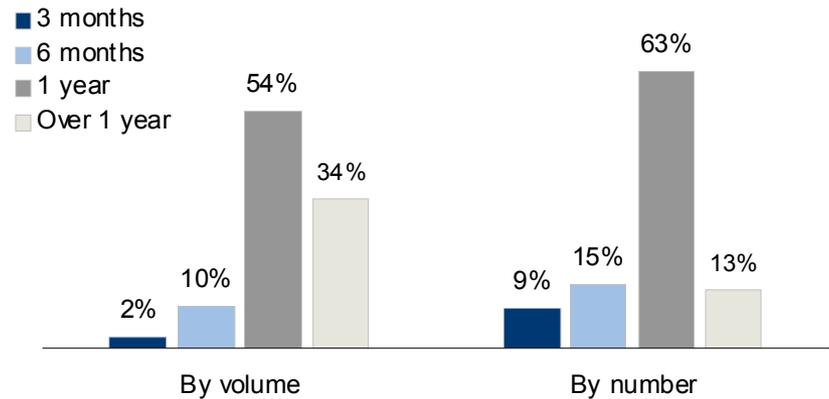
## Retail deposits distribution by size

Data as of January 01, 2009



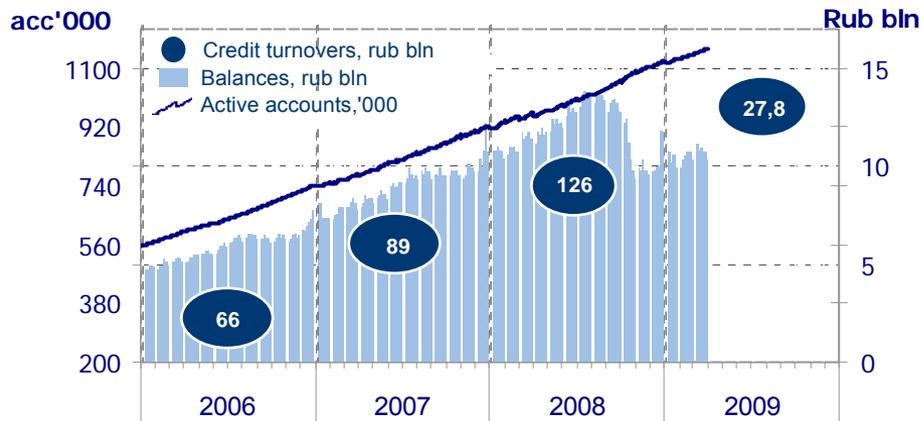
## Retail deposits by original term

Placed and rolled-over in Q4 2008



# Card business

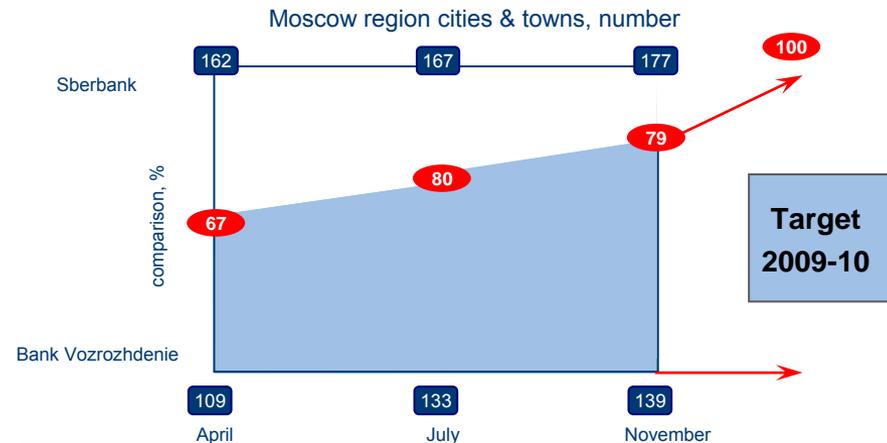
## Number, turnover and balances



## Card business expansion

	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Payrolls	4,000	7000	7,300	<b>7,400</b>
Debit cards	1,022,102	1,069,941	1,230,725	<b>1,291,579</b>
Credit cards	76,474	88,769	105,619	<b>100,676</b>

## Competitive ATM infrastructure

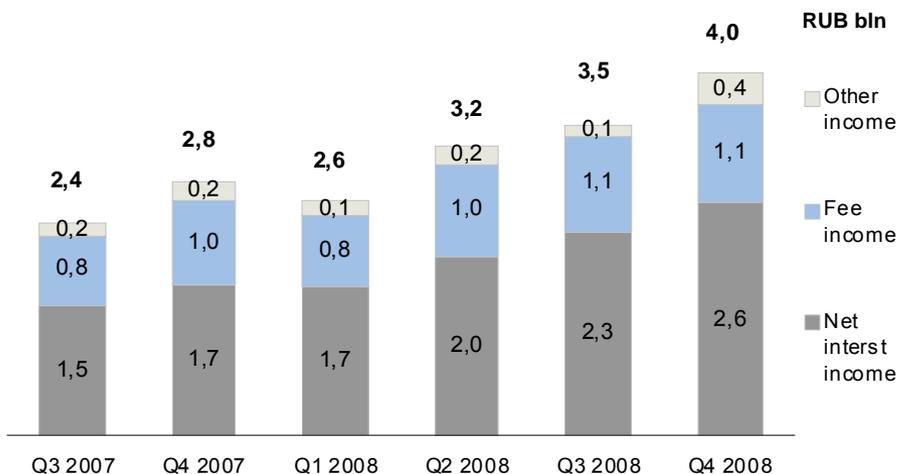


## Credit Card development strategy

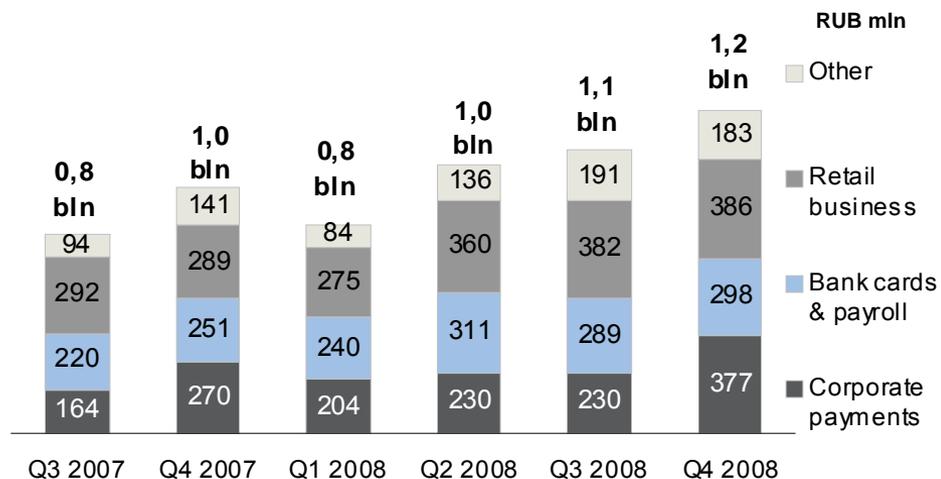
- Offering cards only to existing clients
  - top and mid-level managers and specialists
- Pushing cross-sales between retail and corporate
- More active credit cards
- Exceptionally low loan losses

# Income & Margins

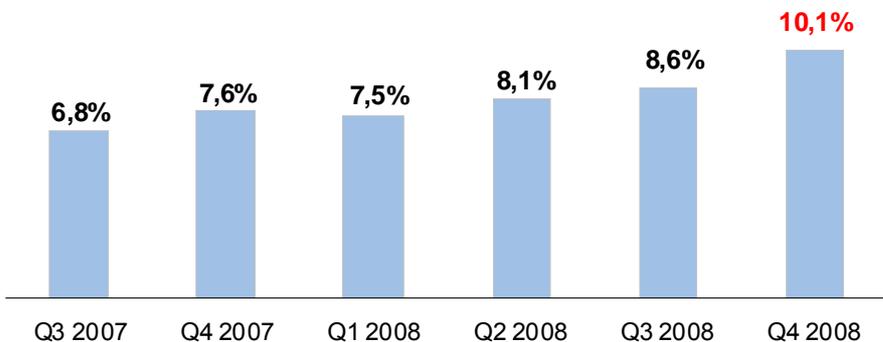
## Operating income



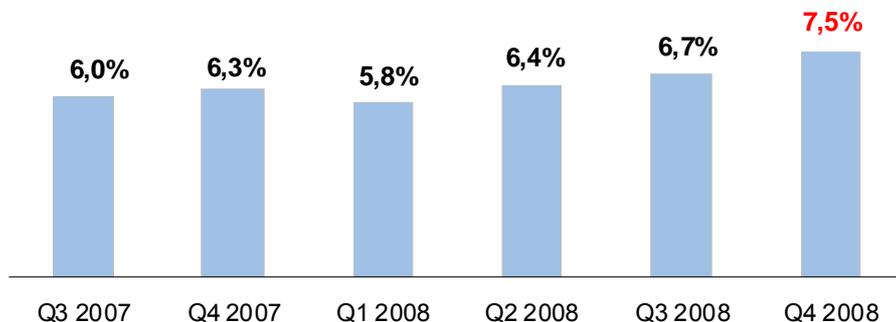
## Fee income



## Spread



## NIM on average assets

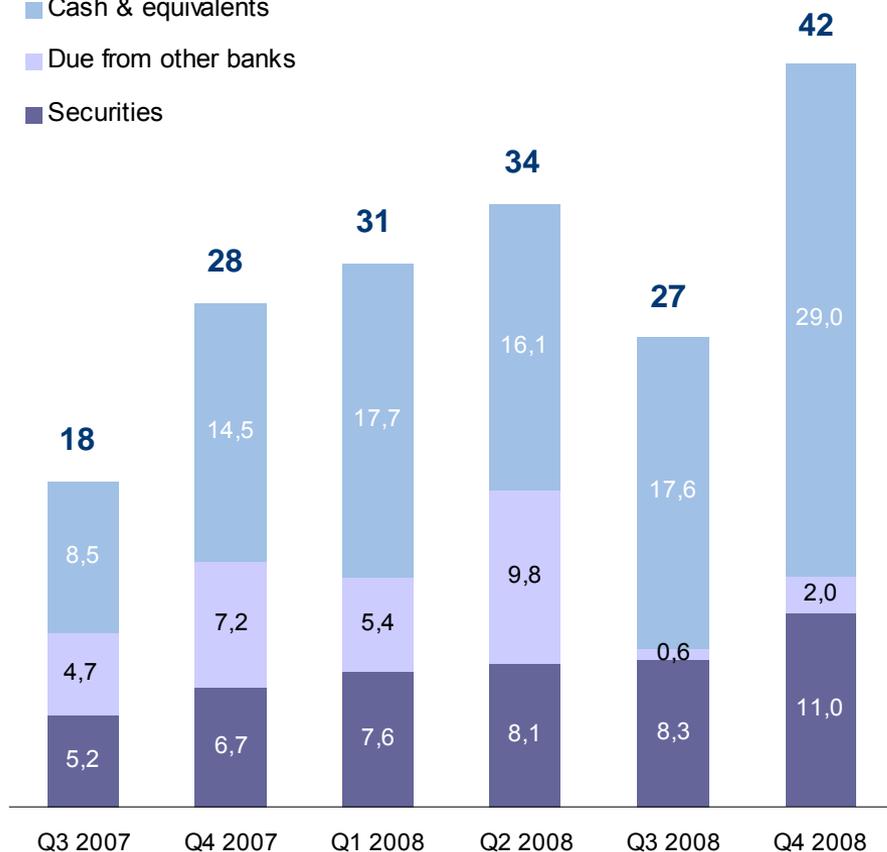


# Liquidity management

## Liquidity cushion

RUB bln

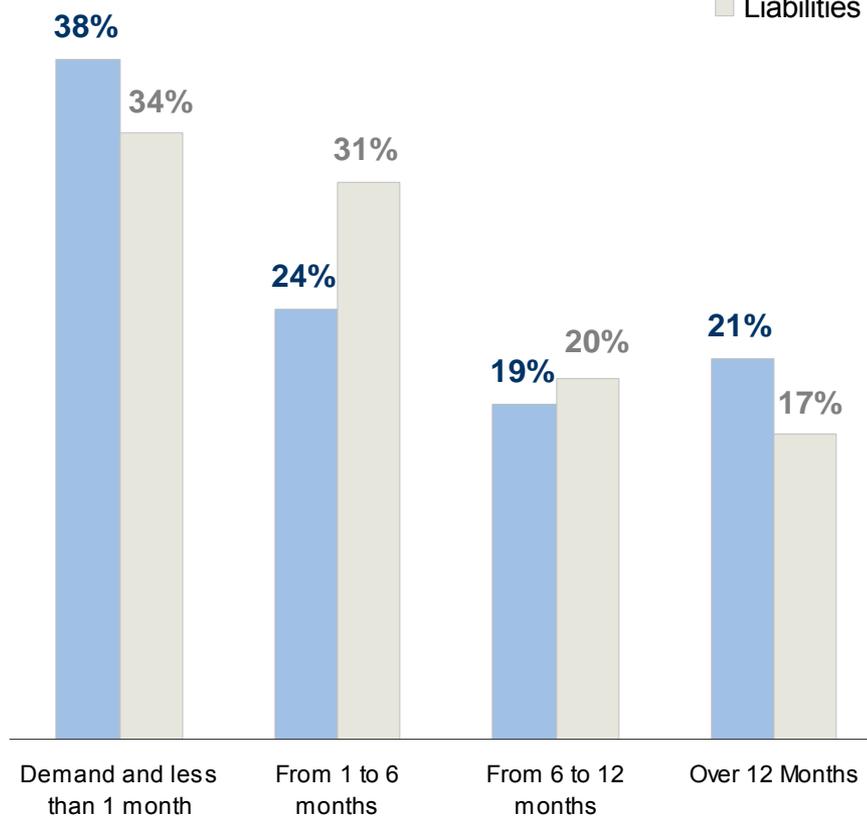
- Cash & equivalents
- Due from other banks
- Securities



## Maturity structure

Data as of January 01, 2009

- Assets
- Liabilities



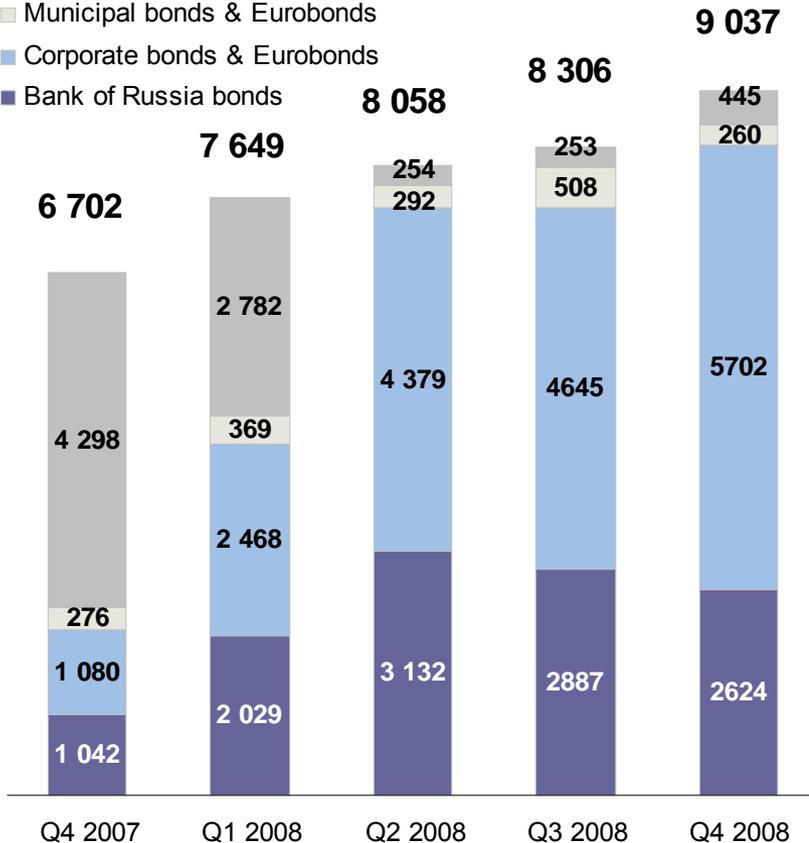
**VOZROZHDENIE  
BANK**

# Securities portfolio

## Highly liquid securities of Russian issuers

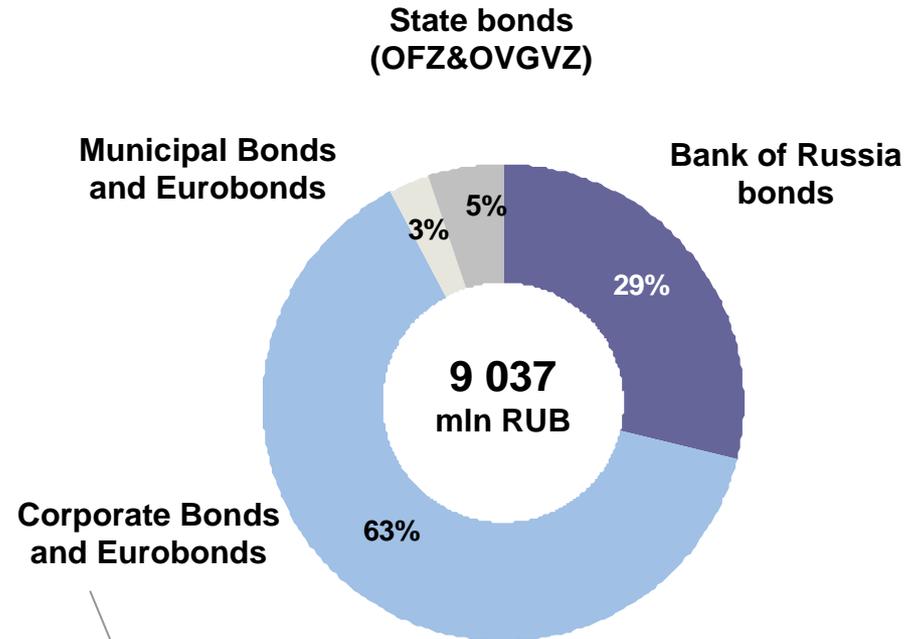
RUB mln

- State bonds (OFZ & OVGZ)
- Municipal bonds & Eurobonds
- Corporate bonds & Eurobonds
- Bank of Russia bonds



## Security portfolio structure

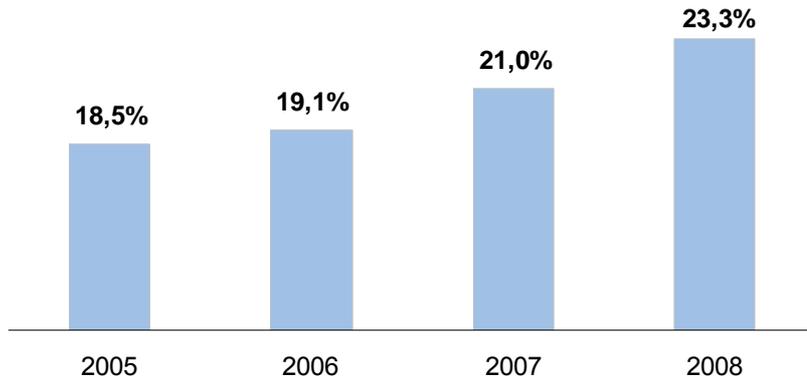
Data as of January 01, 2009



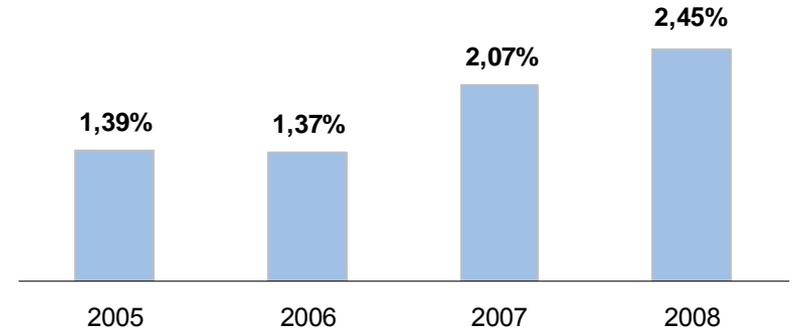
Mostly bonds of Russian quasi-sovereigns. The main aim is to support REPO operations. Major part of FX securities portfolio is included into CBR Lombard list

# Key performance indicators over time

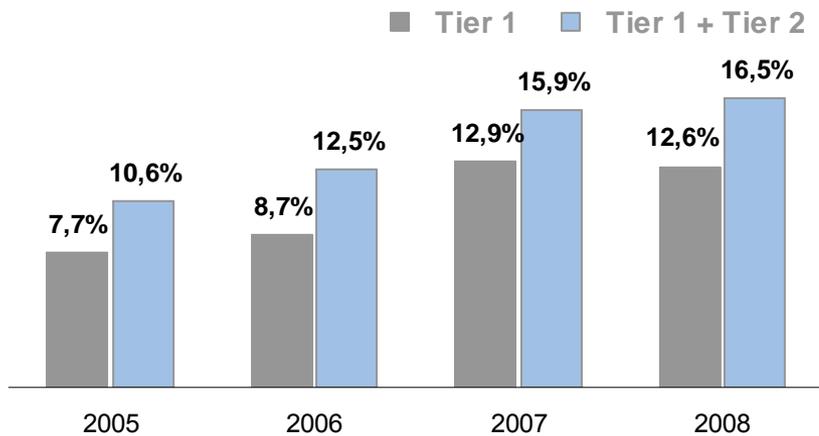
## ROE. %



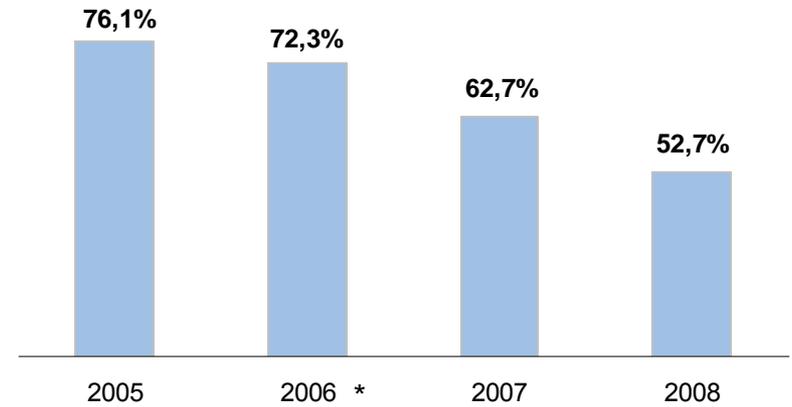
## ROA. %



## Capital adequacy



## Cost to income ratio. %



\*2006 - less extraordinary items

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