



**VOZROZHDENIE  
BANK**

THE BANK THAT IS ALWAYS WITH YOU

# Bank Vozrozhdenie 16 years of successful development

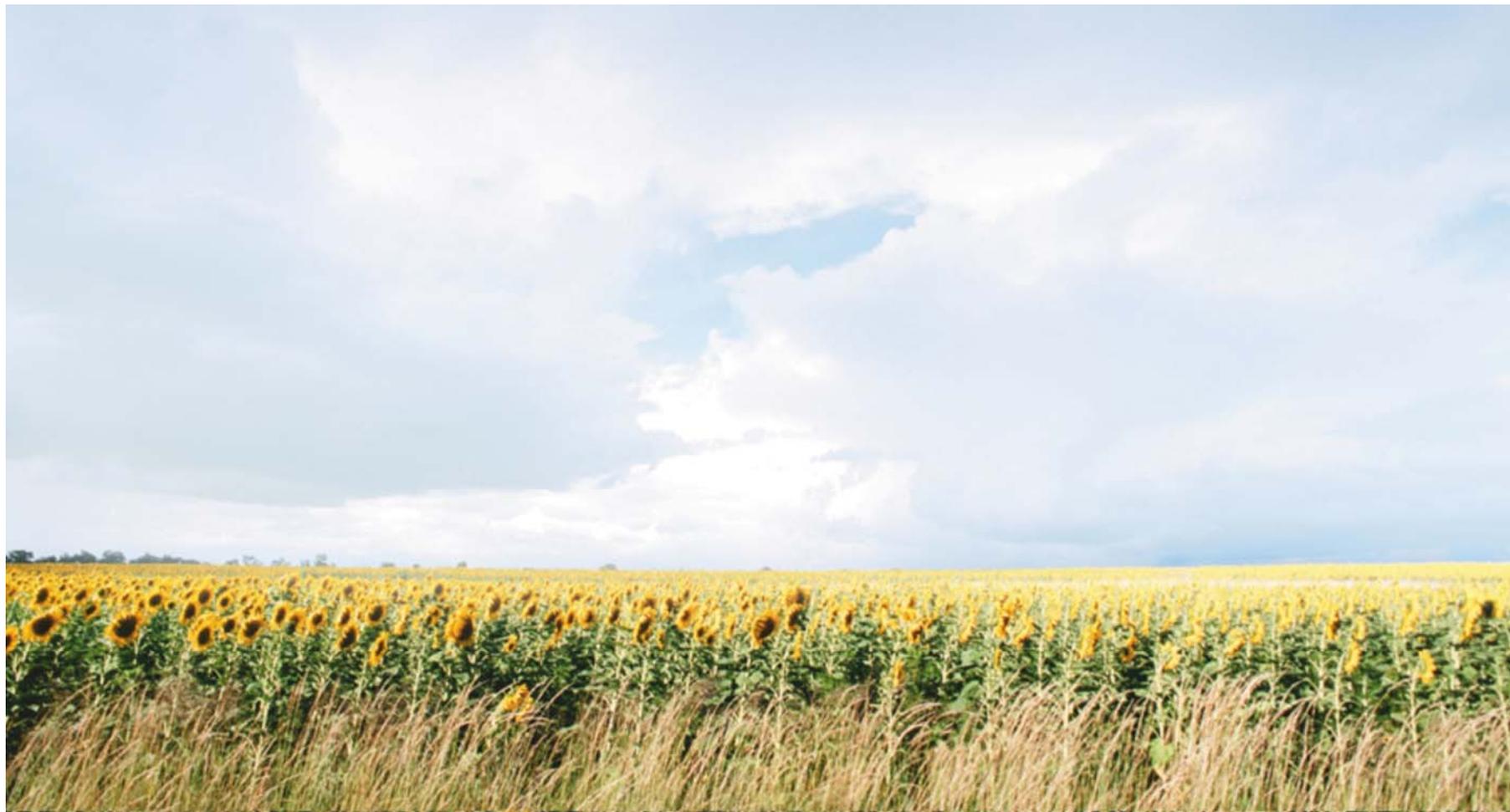


Investor Presentation  
July 2007

# Investor presentation

- Bank Vozrozhdenie in brief
- Strategy
- Business overview
- Risk Management and Corporate Governance
- Financial results
- Investment story

# Bank Vozrozhdenie in brief



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

Assets:	\$3,136 mln
Loans:	\$2,343 mln
Retail funds:	\$1,498 mln
Net income:	10.6 mln
Shareholders' equity:	\$222 mln
ROE:	19.5%
Retail clients:	1,000,000
Corporate clients:	45,000
Headcount:	5,942
ATMs:	490

Note: data as of March 31, 2007

Ratings Moody's	Ba3/D-/NP
	stable
Market capitalization:	\$1.3 bln.
Offices:	155
Included in indexes:	RTS-2
	MSCI Russia Small Cap

Note: data as of May 31, 2007

## Significant market presence



Deposits from individuals\*



Number/volume of mortgages issued\*



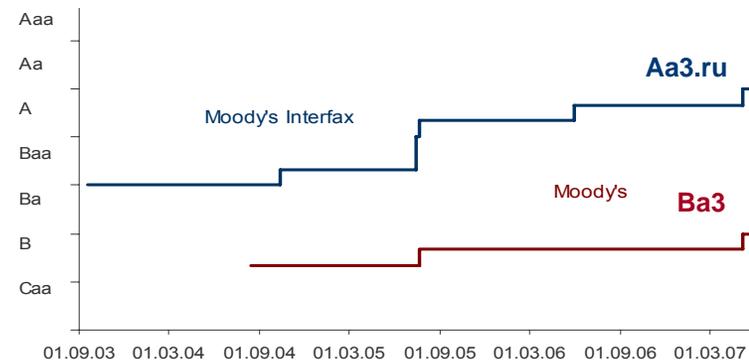
Branches\*



Assets\*

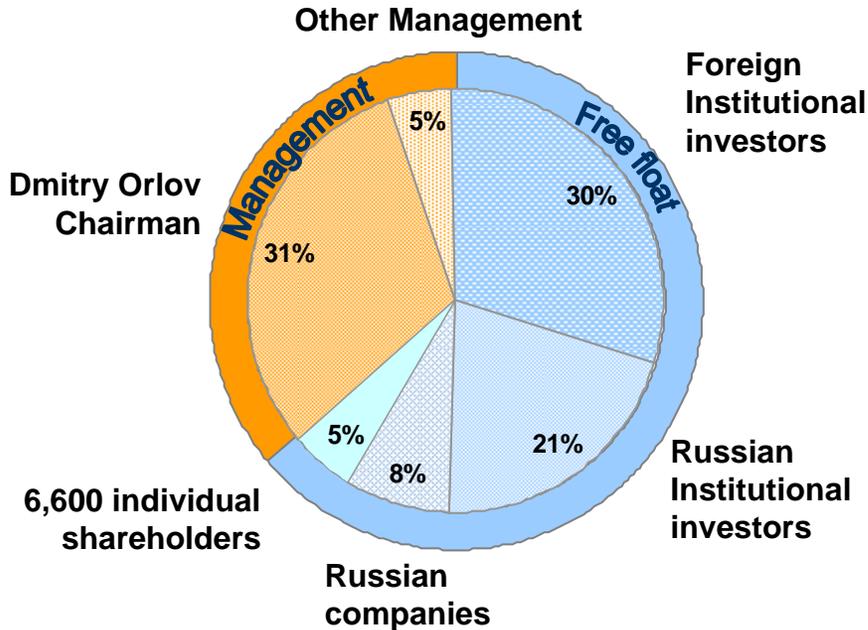
\* RBC most recent ratings

## Stronger credit ratings



# Diversified shareholding structure

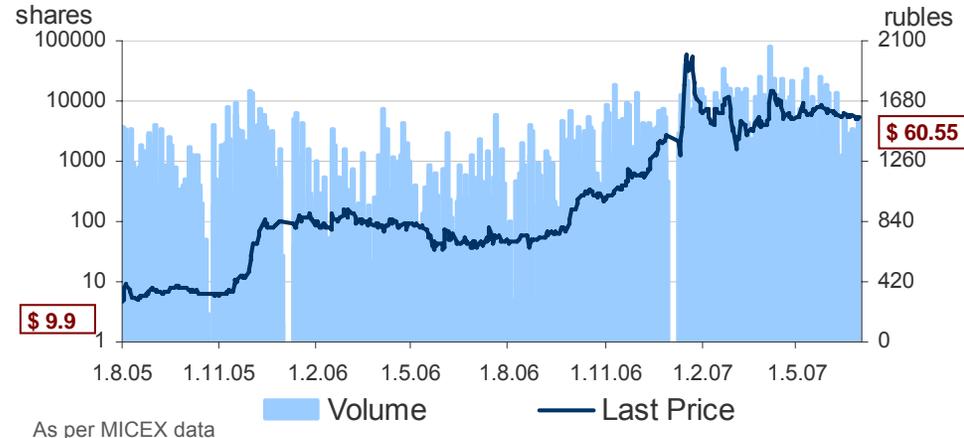
## Shareholding structure (post issue estimate)



- 23,748,694 ordinary shares
- 1,294,505 preferred shares\*

\* non-voting perpetual

## Growth of share price on MICEX



## Volumes of trading

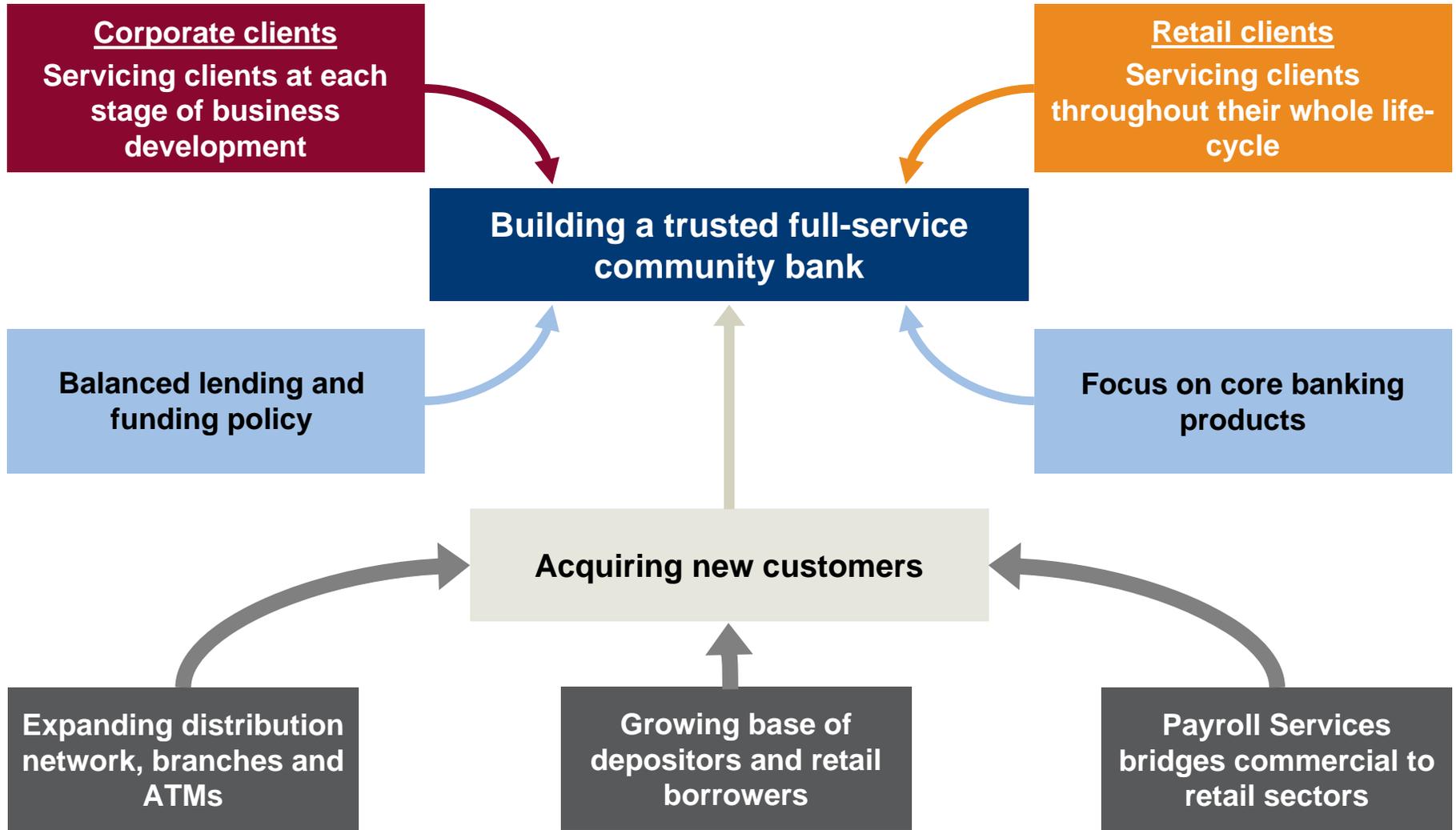
	2005	2006	2007 6M
MICEX (from 1/8/2005)	185 108	349 130	1 162 764
RTS	147 036	167 152	217 198
OTC (from 23/1/2007)	-	-	5 982 285
German stock exchanges (ADR)	481 939	227 389	172 297
<b>Total</b>	<b>814 083</b>	<b>743 671</b>	<b>7 534 544</b>

# Strategy

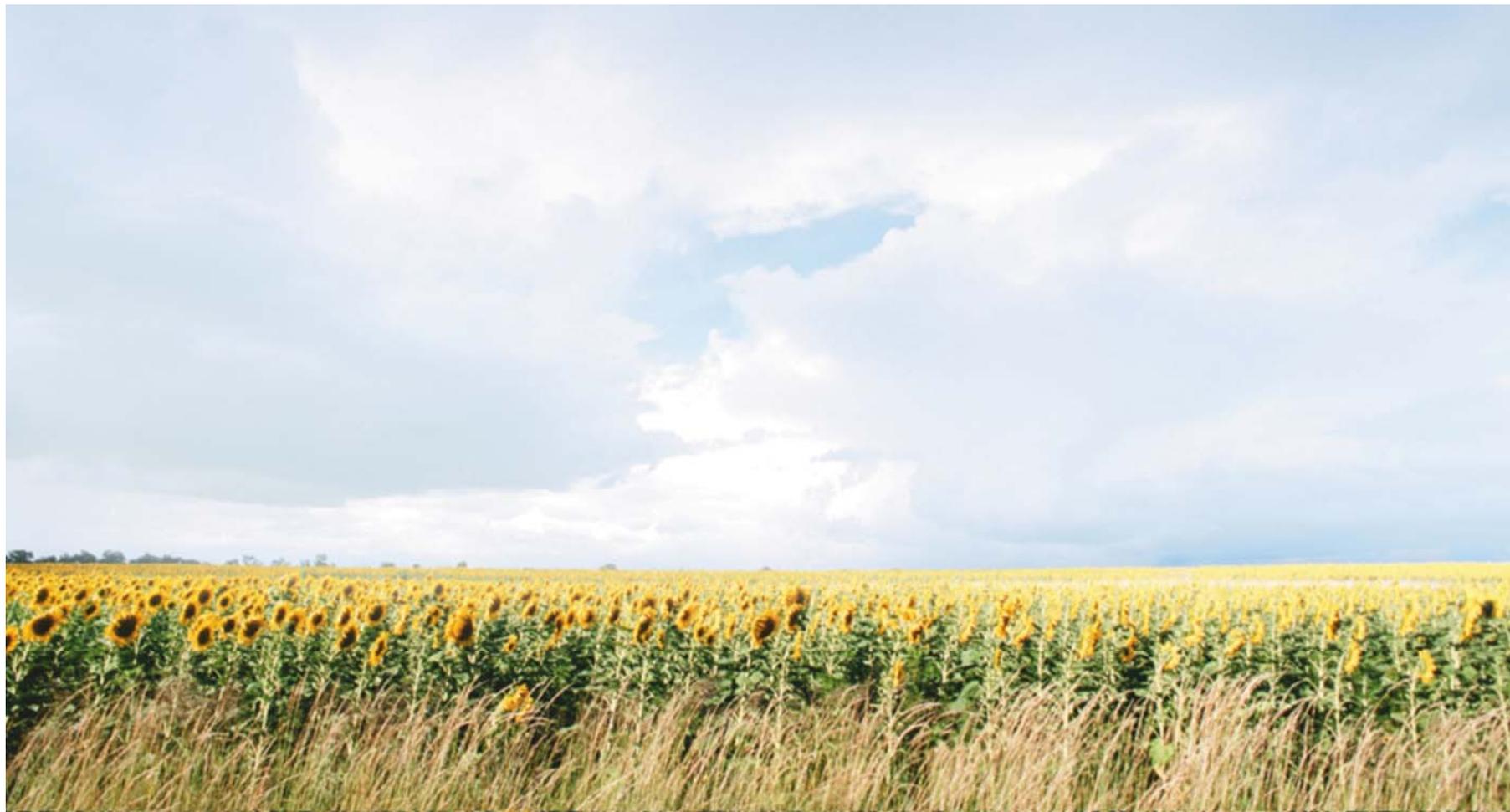


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# Market Strategy



# Business overview



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# Distribution network

Focus on 20 regions with most diversified economies

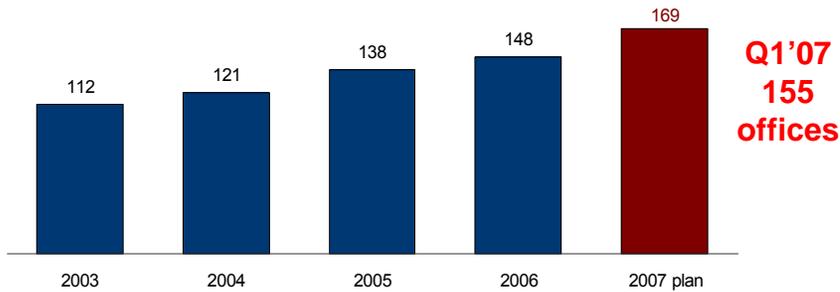


Moscow Region – home territory



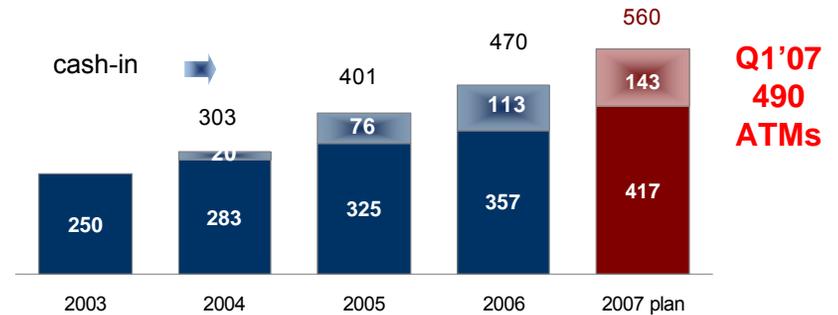
Pragmatic network expansion strategy

Total number of branches



Enhancing ATM network with cash-in and payment features

Total number of ATMs

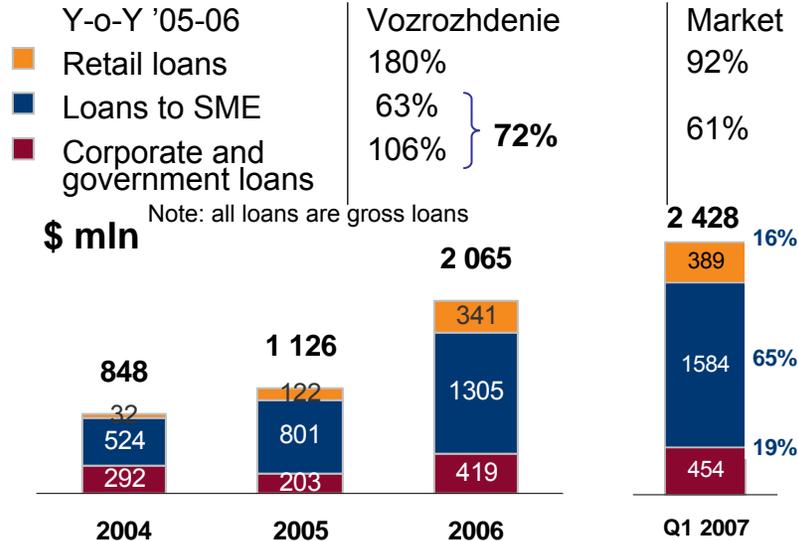


# Business model

## Business based on relationships...

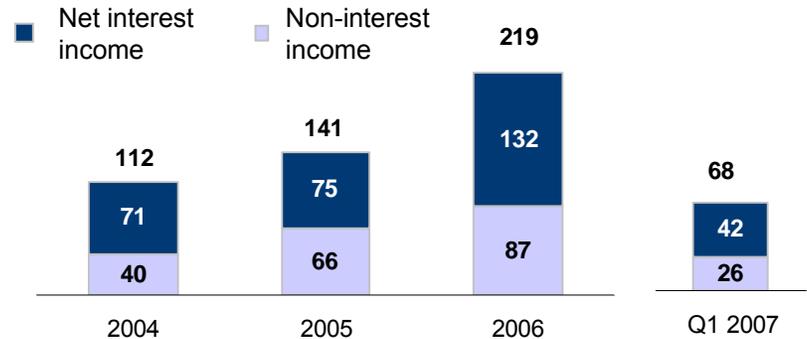
- **Values:** Responsive, Human (Real), Dependable
- Optimized Brand Portfolio
- Satisfaction & Improvement Survey
- Relationship Performance Metrics
- Strategic competitive advantage

## Strong organic growth in loan portfolio ...

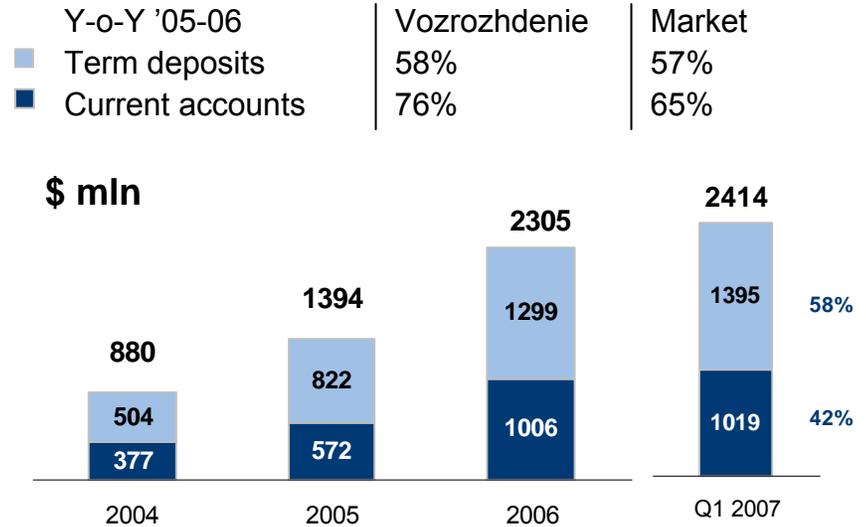


## ... gives strong non-interest income

\$ mln



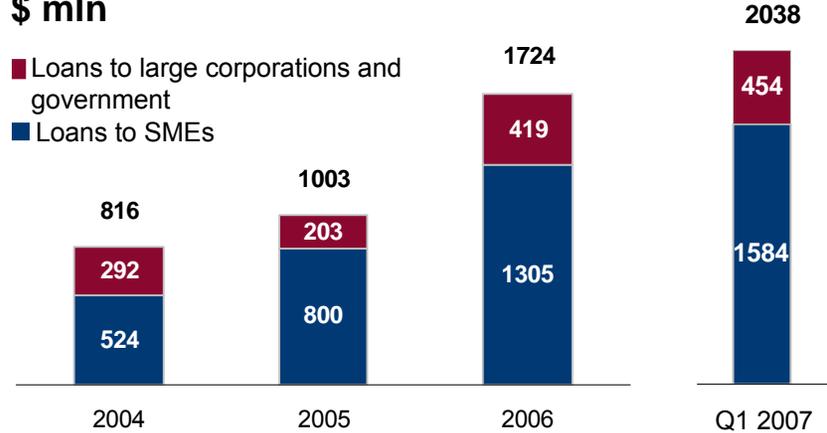
## ... funded by customer accounts



# Corporate business

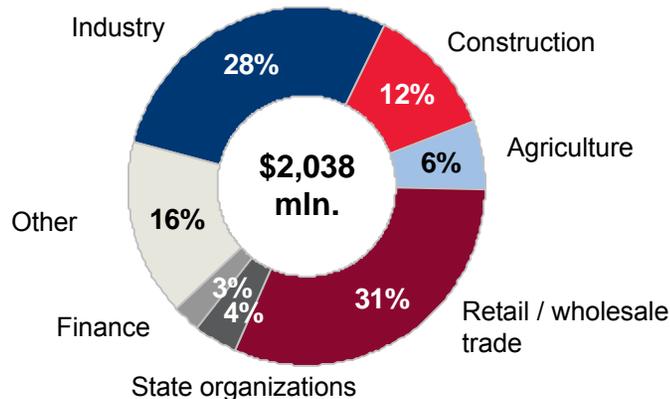
## Corporate lending

\$ mln



- Full range of corporate banking services
- Focus on SME clients
- Better utilization of existing client base
- Introduction of innovative products
- Acquisition of retail client base through payroll services to corporate clients

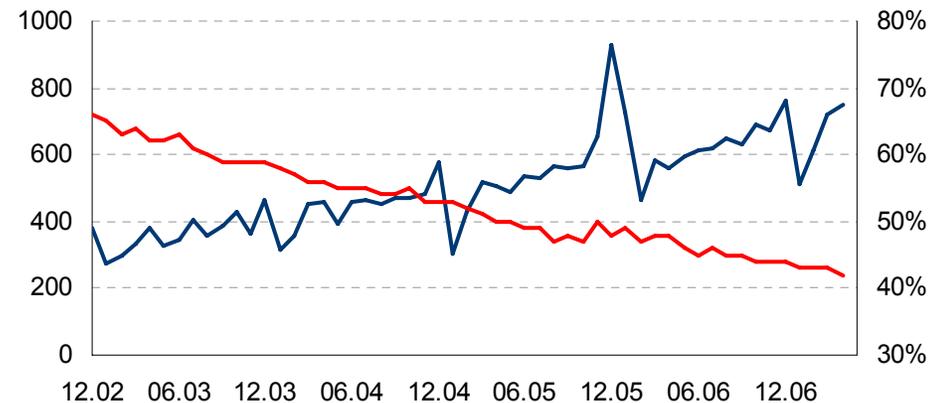
## Diversified loan book



Data as of March 31, 2007

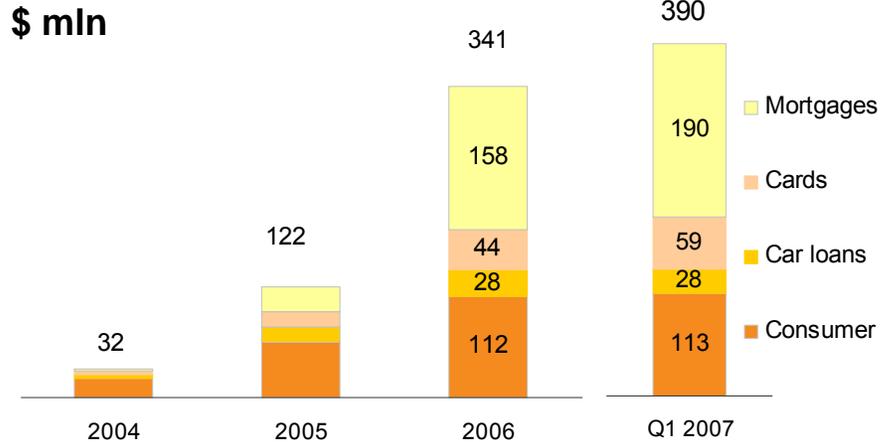
## Payments of corporate clients

— Total payments (per month), # — Share of paper payments, %

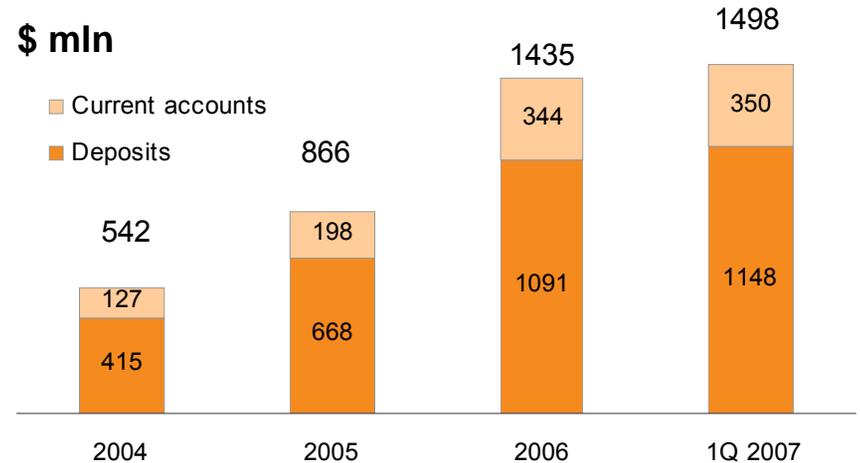


# Retail business

## Retail loan book growth



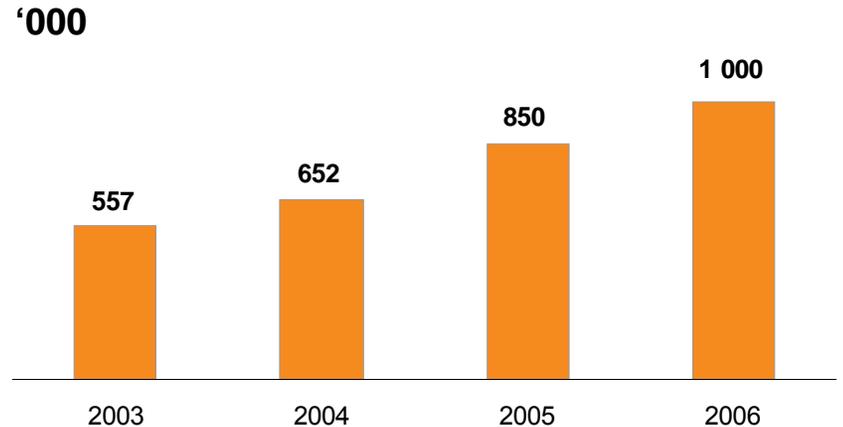
## Retail funding



## Focus on mortgages

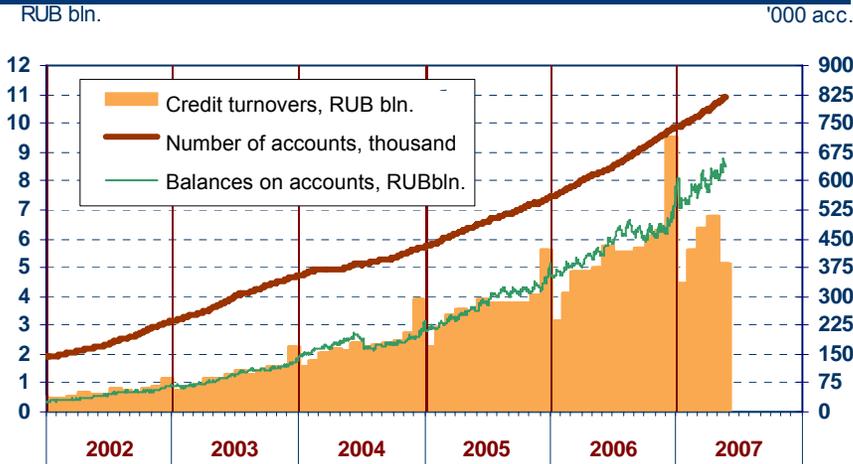
- 6<sup>th</sup> by number and 14<sup>th</sup> by volume of mortgages
- Average size – \$35,000 with fixed rate
- Average maturity 10 – 12 years (max 30 years)
- Loan to value 60% – 70% (max 90 %)
- Eligible for non-recourse sale to State Agency for Mortgages

## Number of retail clients

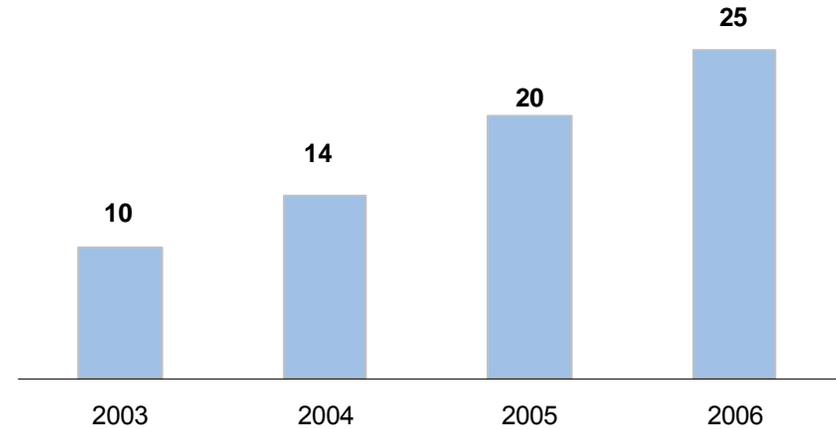


# Card business

## Number, turnovers and balances



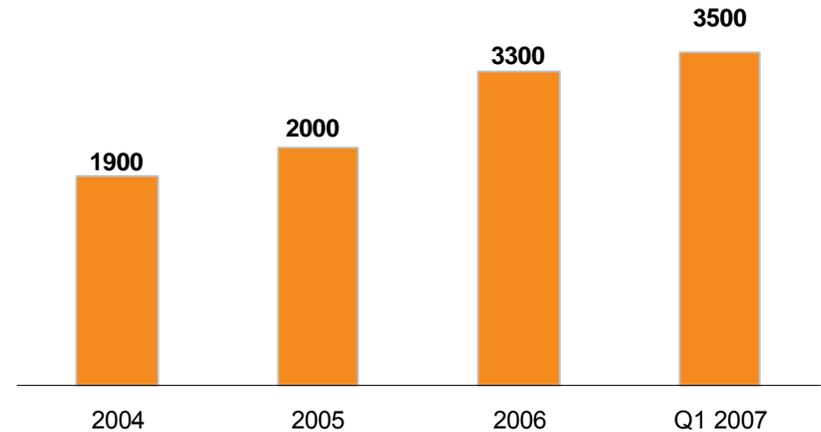
## Number of transactions on bank's ATMs, mln



## Bridges corporate to retail

- Anchors individual relationships
- Cards and ATMs provide 1/3 NIR
- Advanced technology
- Exceptionally low fraud & credit losses

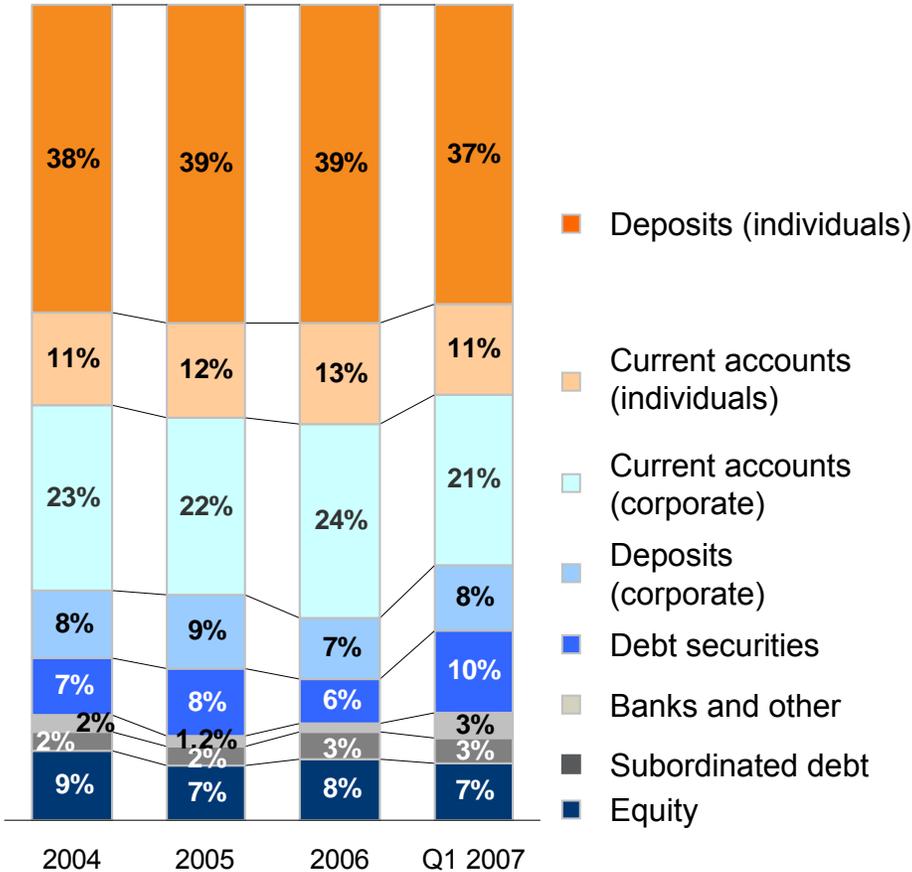
## Number of payroll corporate clients



# Funding

## Stable funding structure ...

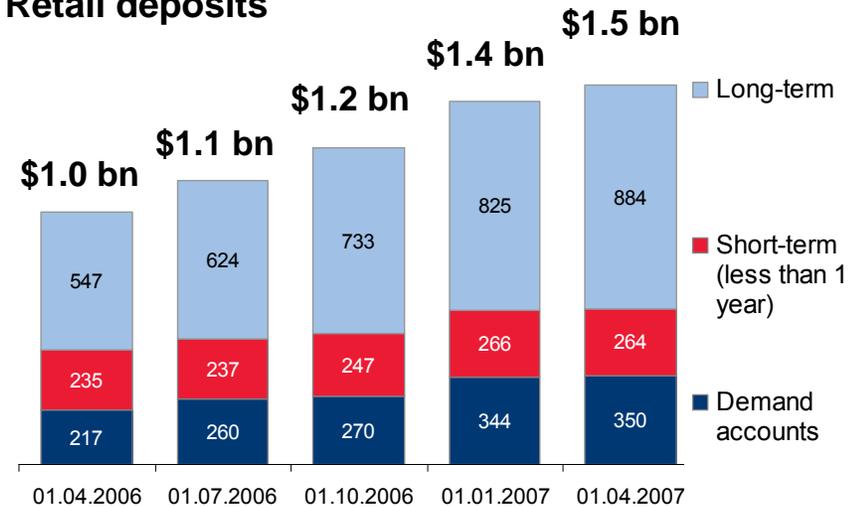
\$1.1 bn \$1.7 bn \$2.9 bn \$3.1 bn



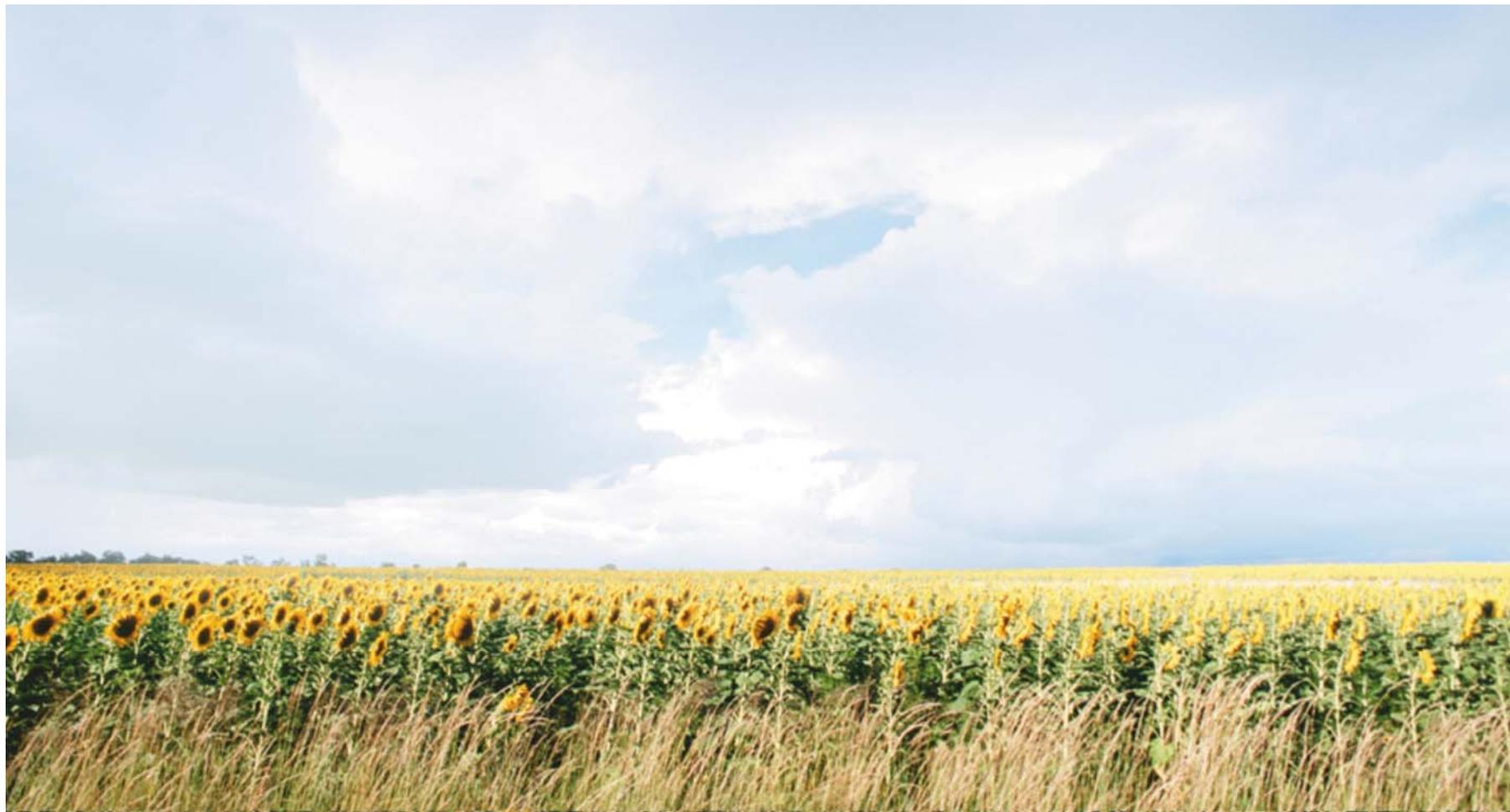
- Retail funds finance over 50% of total assets
- Started diversification through debt capital markets
  - 3 bln RUB bond issue ~ \$120 mln
  - \$50 mln syndication
- Aim to increase maturity profile
- Debt market – up to 10% of liabilities

## ... with increasing maturity

### Retail deposits



# Risk Management & Corporate Governance

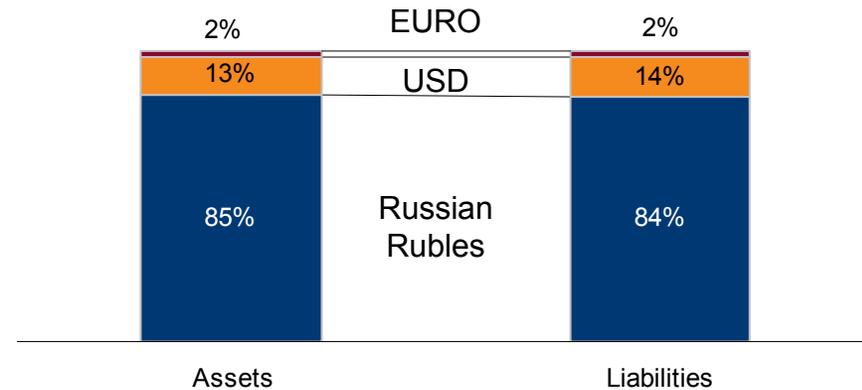


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# Prudent management of assets and liabilities

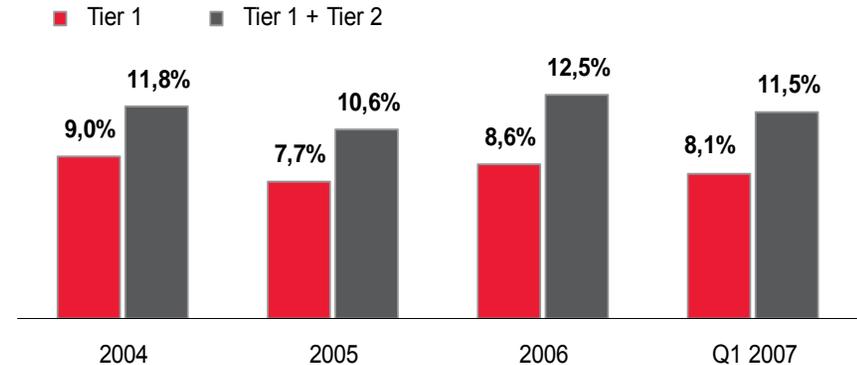
- Management Board approves all risk limits and policies
- Treasury manages liquidity risk
- Reduced currency risk due to a balanced mix of assets and liabilities
- Interest rate risk managed on daily basis within limits
- Strict compliance with all Central Bank's requirements

## Low currency risk exposure



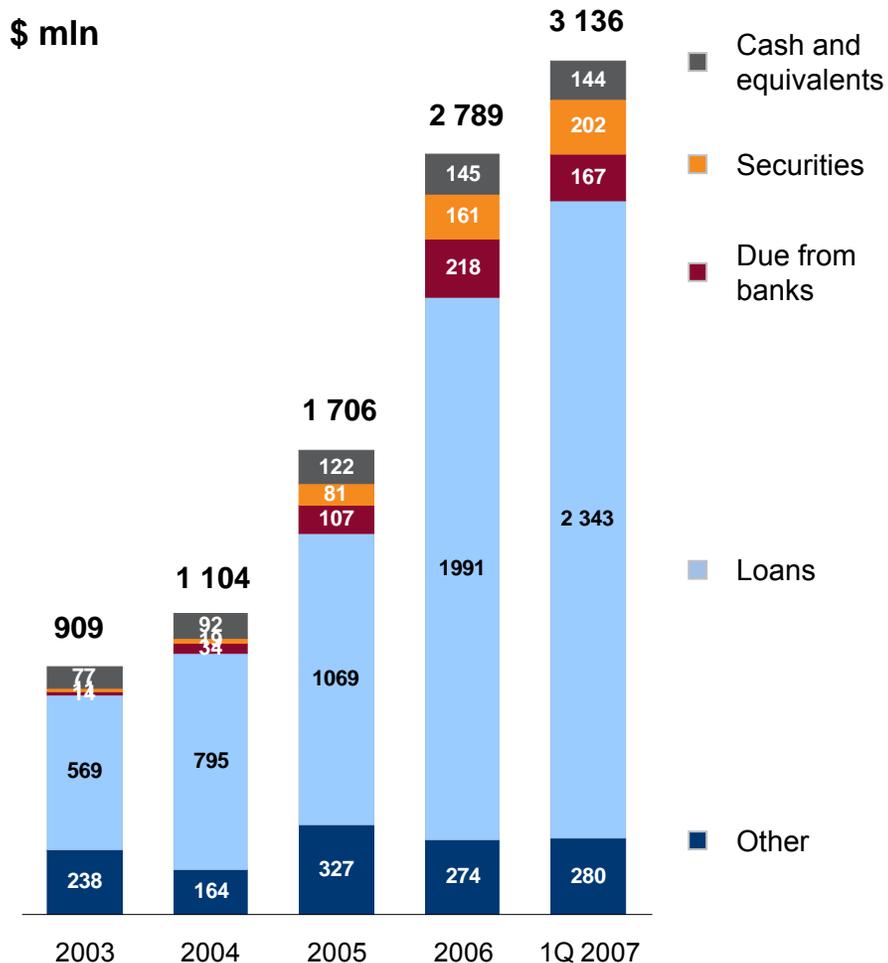
Note: all data as of March 31, 2007

## Capital adequacy



# Limited market risk

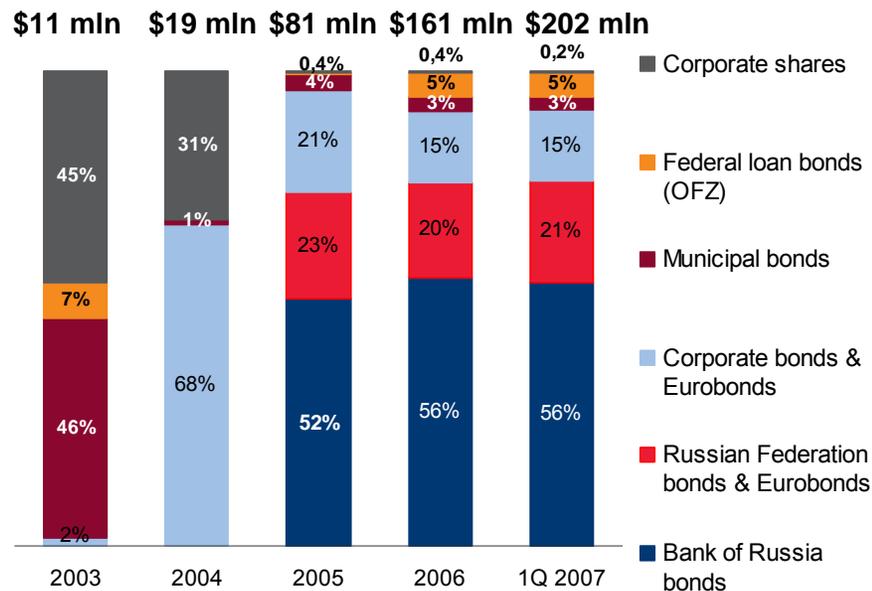
## Dominant position of loans ...



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

## ... with balancing role of securities

### Structure of securities portfolio



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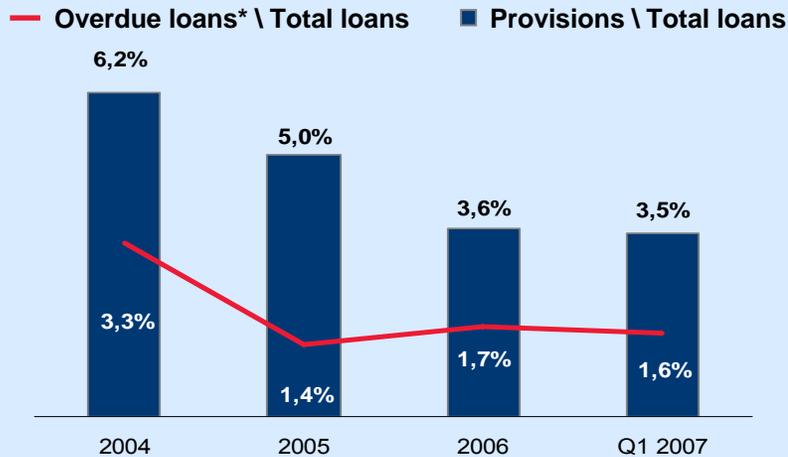
# Comprehensive credit risk management approach

Loan extension limits in branches

Proactive provisioning policy

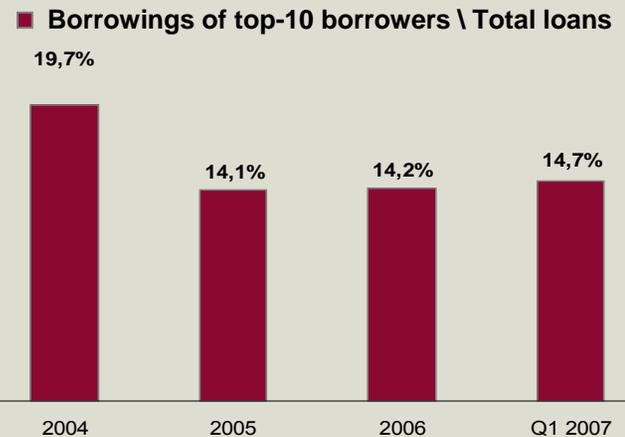
Diversified loan portfolio

## Declining credit risk exposure



\*loans past due either on principal or interest for over 1 day: before 2006 included only the overdue portion of total outstanding principal amount – starting from 2006 include total outstanding principal amount

## Decreasing concentration of loans



Collateral for corporate loans and mortgages

Lending only to clients with a positive record

Established retail scoring procedures



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# Strong corporate governance

- 12 members in the Board of Directors, including 8 non-executive 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



# Financial Performance

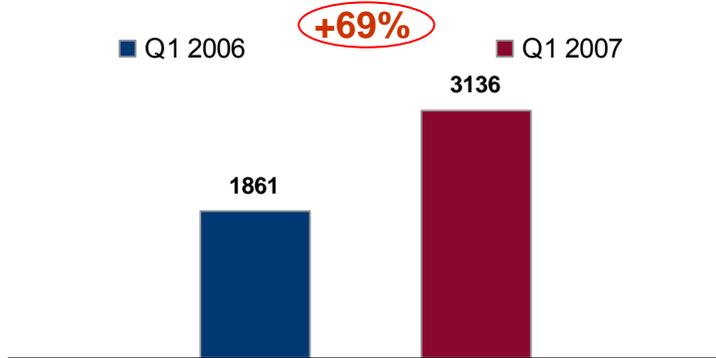


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# Strong Q1 2007 financial performance

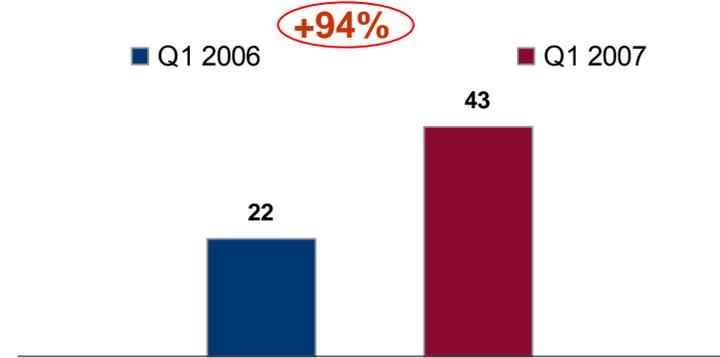
## Strong asset growth

in \$ mln



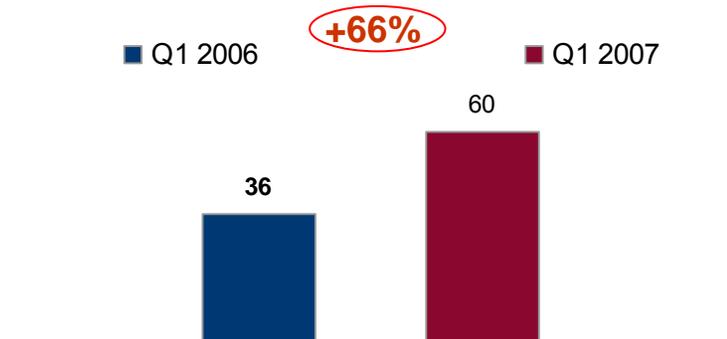
## Net interest income

in \$ mln



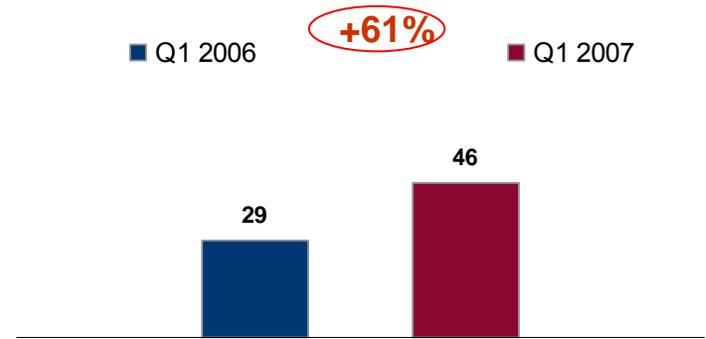
## Operational income

in \$ mln



## Operational expenses

in \$ mln

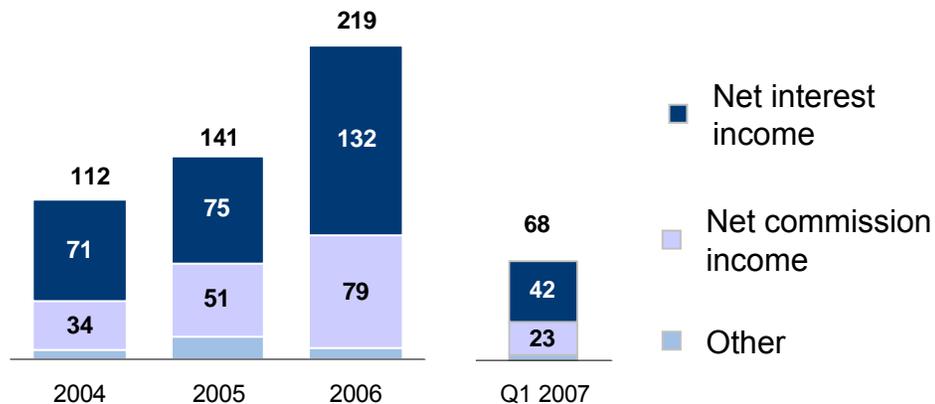


\*before provisions and excluding extraordinary items

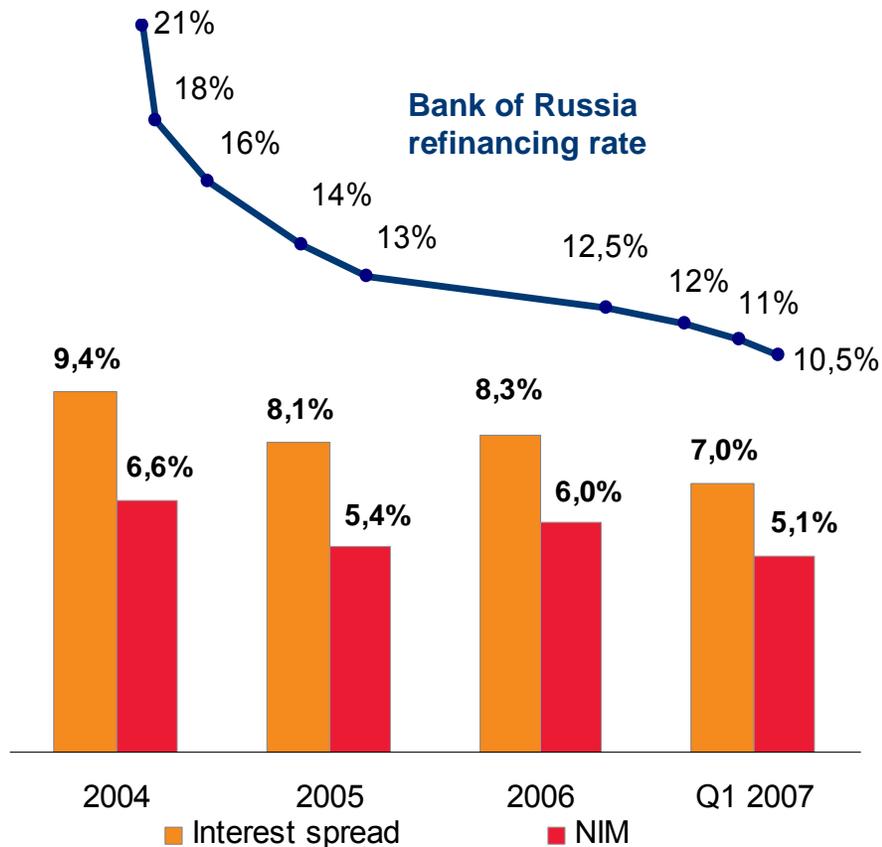
# Revenues

## Operating income

\$ mln

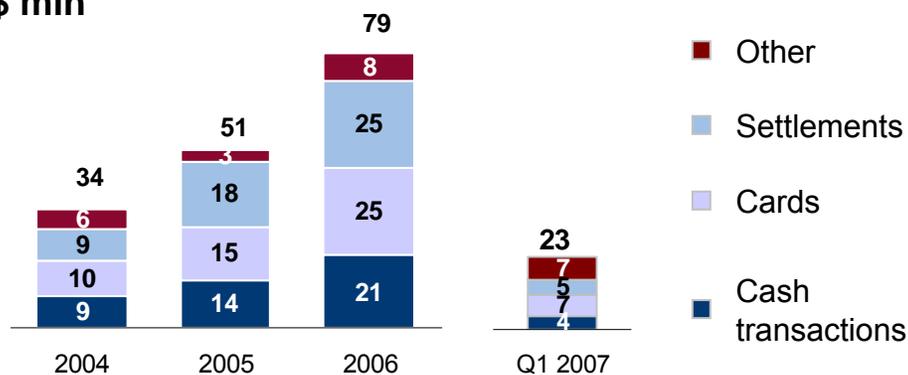


## Interest income management



## Net commission income

\$ mln

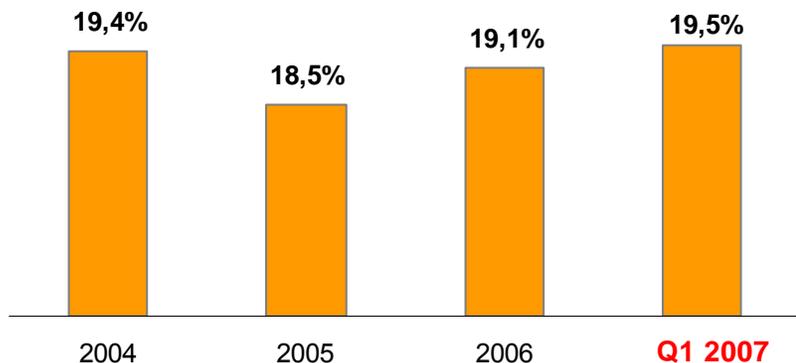


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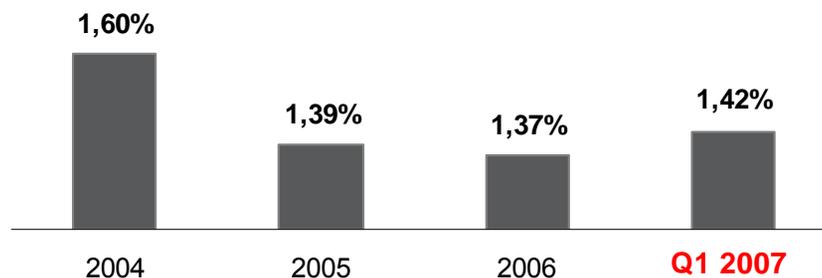
# Profitability and operational performance

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

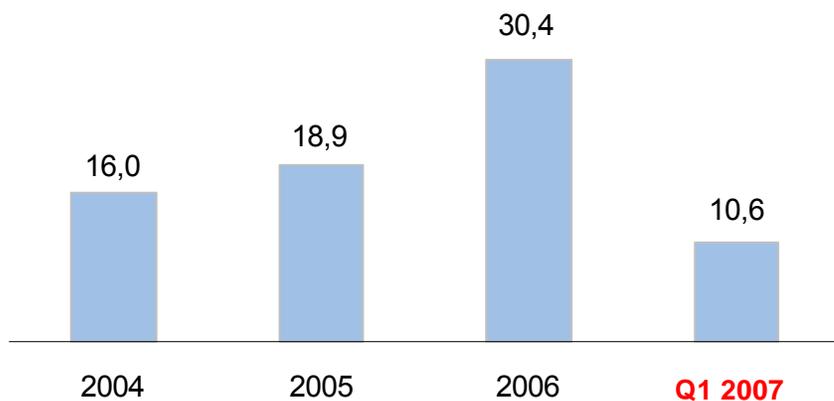
## ROE, %



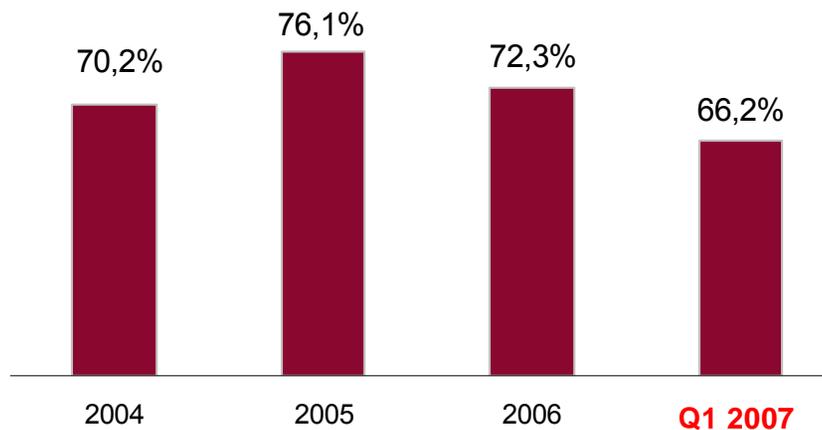
## ROA, %



## Net income, \$ mln



## Cost to income ratio, %



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# Investment story



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# Summary: key points of investment story

- Potential in Russia
  - ✓ Potential in retail and SME
- Clear strategic vision
  - ✓ Strong positioning based on relationships
  - ✓ Proven management
- Good governance
  - ✓ Independence
  - ✓ Transparency
- High quality organic growth
  - ✓ High potential regional development
  - ✓ Rapid growth based cross selling to existing client base
- Stability, continuity and profitability
  - ✓ Track record – 16 years

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**Thank you**



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