



# *VTB Group FY 2007 results*

*April 10, 2008*



Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of JSC VTB ("VTB") and its subsidiaries (together with VTB, the "Group"). Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. We caution 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.



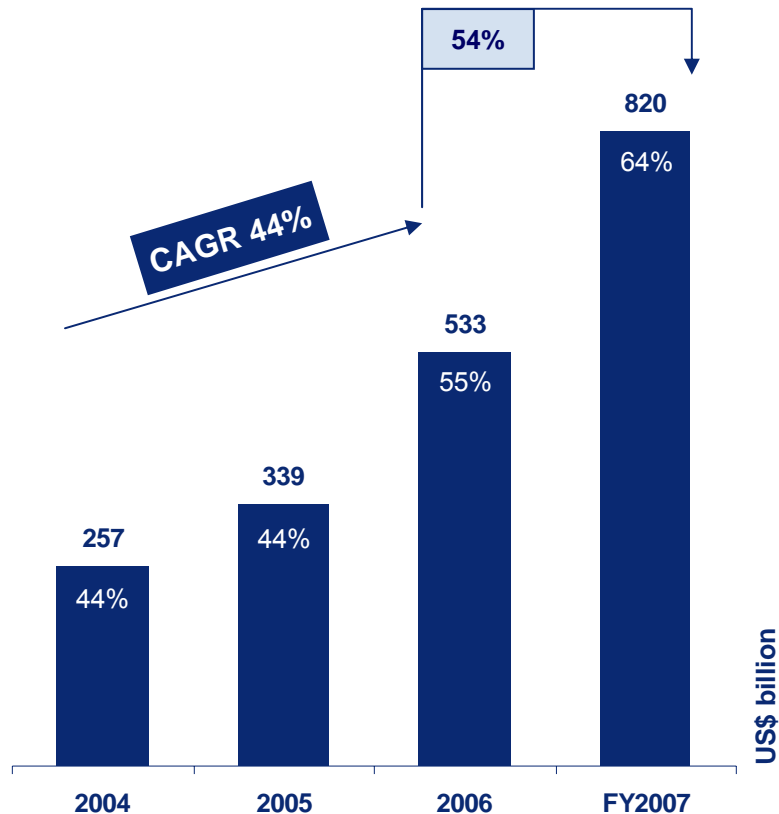
*Andrey Kostin*  
*President – Chairman of the Management Board*

- Strong underlying results in core divisions:
  - Net income: Up 28.4% to US\$ 1,514 million
  - Core income <sup>(1)</sup>: Up 48.0% to US\$ 3,056 million
  - EPS: Up 10.6% to US\$ 0.000241
  
- Impressive growth backed by solid capital base:
  - Total assets: Up 76.7% to US\$ 92,609 million
  - Gross loans: Up 88.9% corporate / 203.3% retail
  - Customer accounts: Up 108.6% corporate / 45.8% retail
  - Total capital ratio: 16%
  
- Becoming a more balanced business

(1) We define core income as including net interest income before provisions, and net fee and commission income. In 2007, net fee and commission income was adjusted for depositary appointment fee of US\$ 57 million.

- IPO successfully raised almost US\$8 billion
  - Major internal restructuring and cultural change as a publicly listed company
  - Confirmed strategic direction and set clear targets
  - Capital available for strategic growth
- Strengthened retail and corporate banking franchises
  - Doubled the loan portfolio while growing faster than the market
  - Opened 165 new VTB24 retail branches and continued VTB North-West retail integration
  - Expanded further in CIS countries with focus on Ukraine and Belarus
  - Expanded corporate presence in China, India, and Angola
- Investment in IT systems
  - Providing infrastructure for business development
  - Centralised data facilities and networks
  - Improved responsiveness, security and functionality

## Total banking assets and penetration<sup>(1)</sup>



## Environment

- Corporate loans and deposits grew by 70% and 89% in 2007, respectively
- Retail loans and deposits increased by 54% and 46% in 2007, respectively
- Liquidity stretch due to global financial crisis in 2007 has impacted the market, however healthy growth is expected as the banking sector is still under-penetrated

## Opportunities

- Banks will have to concentrate more on collecting client deposits
- Banks need to focus efforts on maintaining interest margins
- Banks with sufficient liquidity and good access to funding gain additional advantage to grow market share

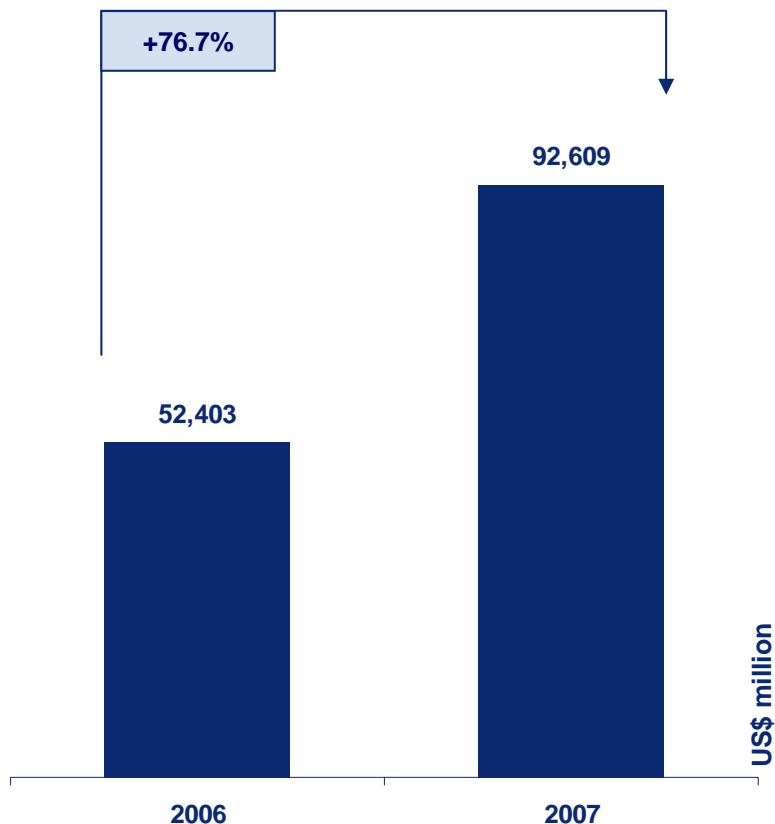
(1) Penetration rate calculated as total banking assets as a proportion of GDP at the year end of 2007.

Source: CBR

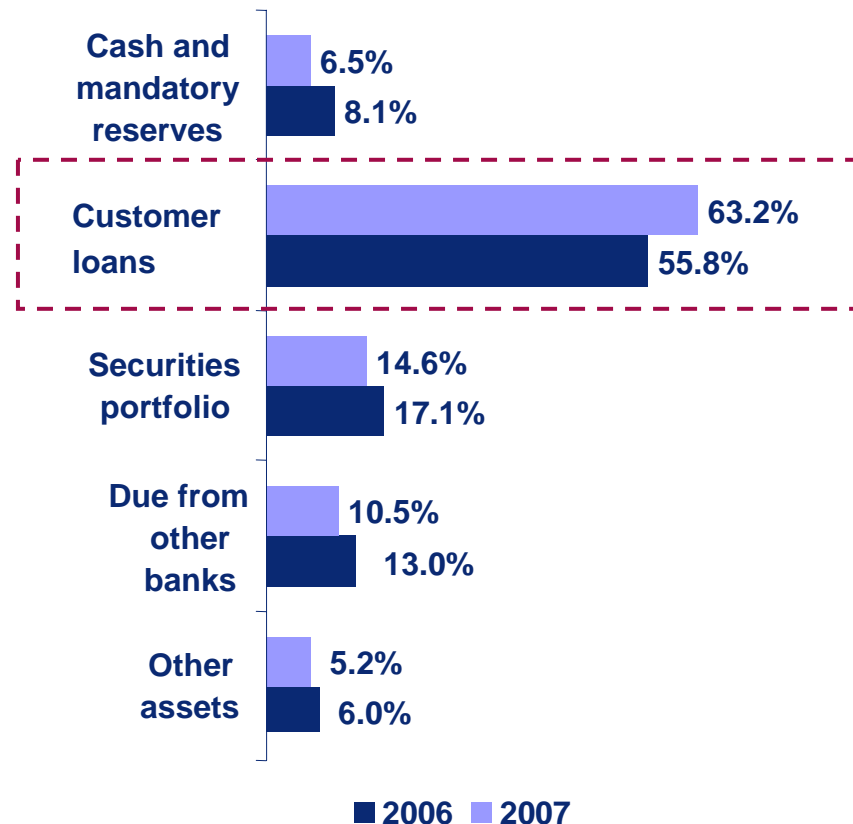


*Nikolai Tsekhomsky*  
*CFO, Member of the Management Board*

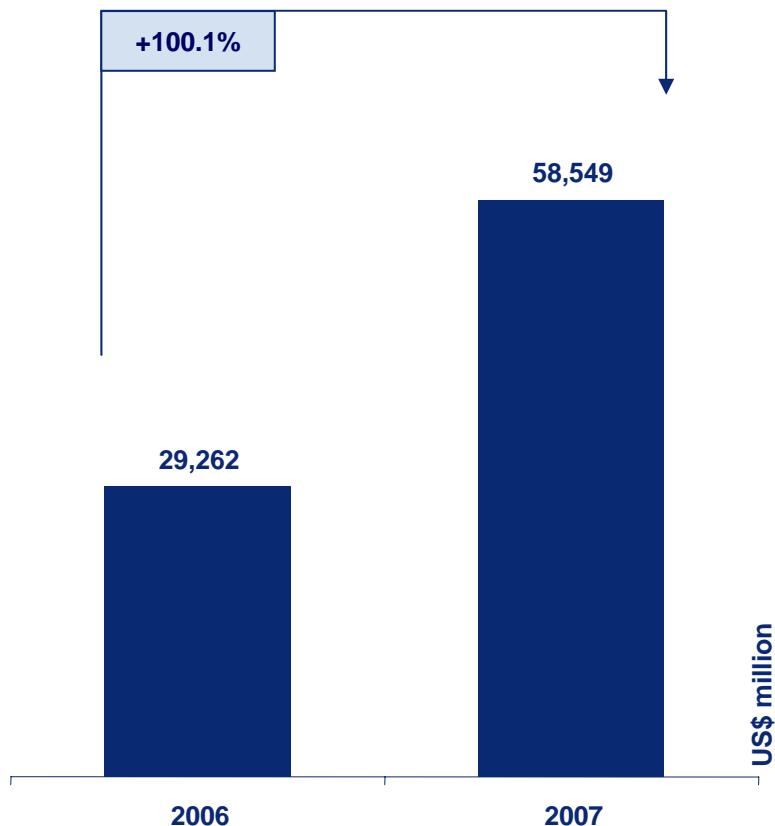
## Total assets



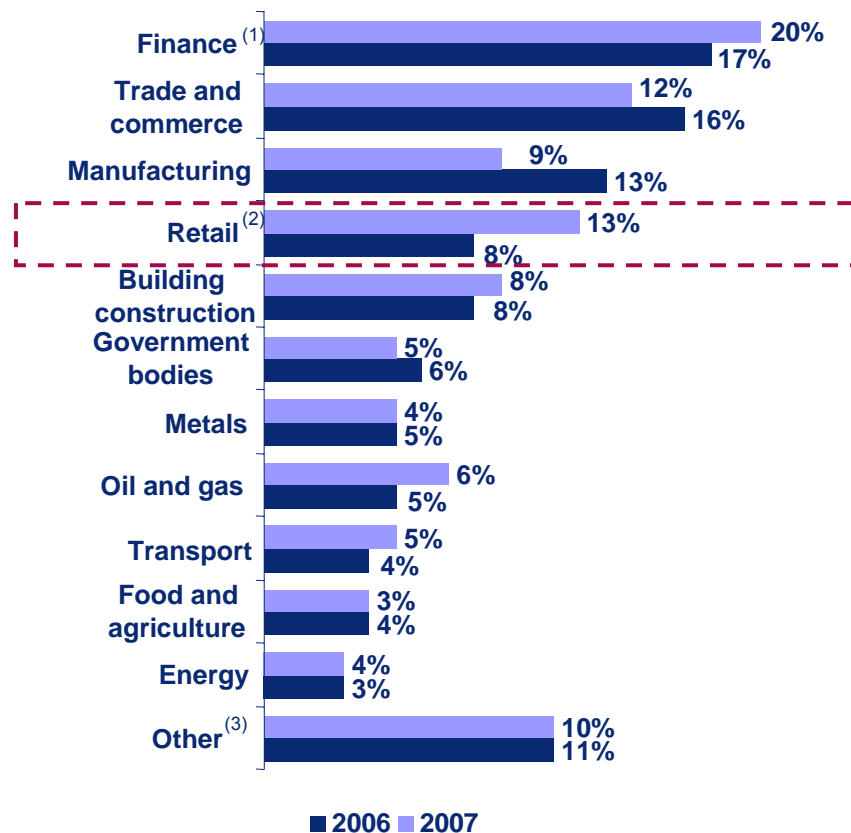
## Breakdown of assets (as % of total)



## Customer loans



## Breakdown of loan portfolio (gross)

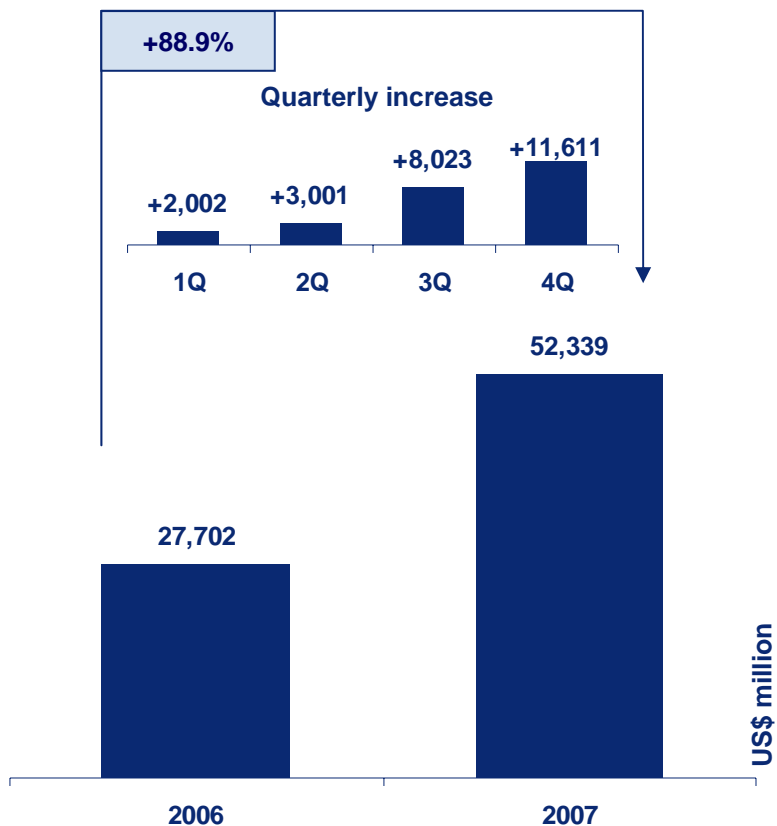


(1) Includes loans made for acquisition financing, to insurance and leasing companies, to non-bank investment companies, and financial arms of Russian industrial groups

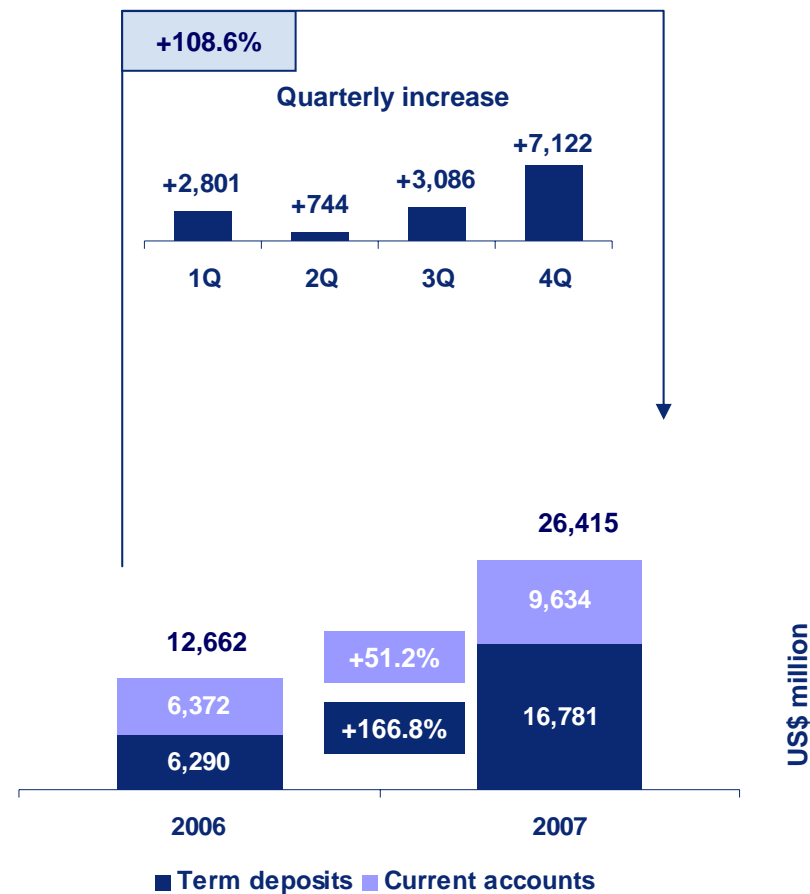
(2) Excludes loans to SMEs

(3) Incl. chemical, telecommunications and media, coal mining and aircraft industries

## Corporate loans (gross)

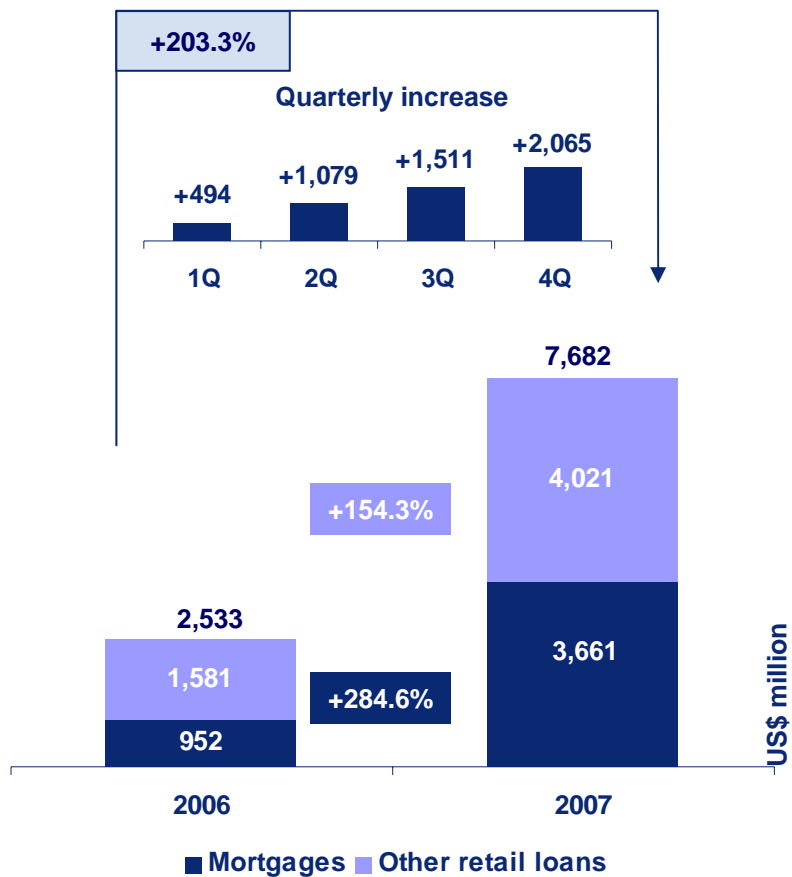


## Corporate customer deposits<sup>(1)</sup>

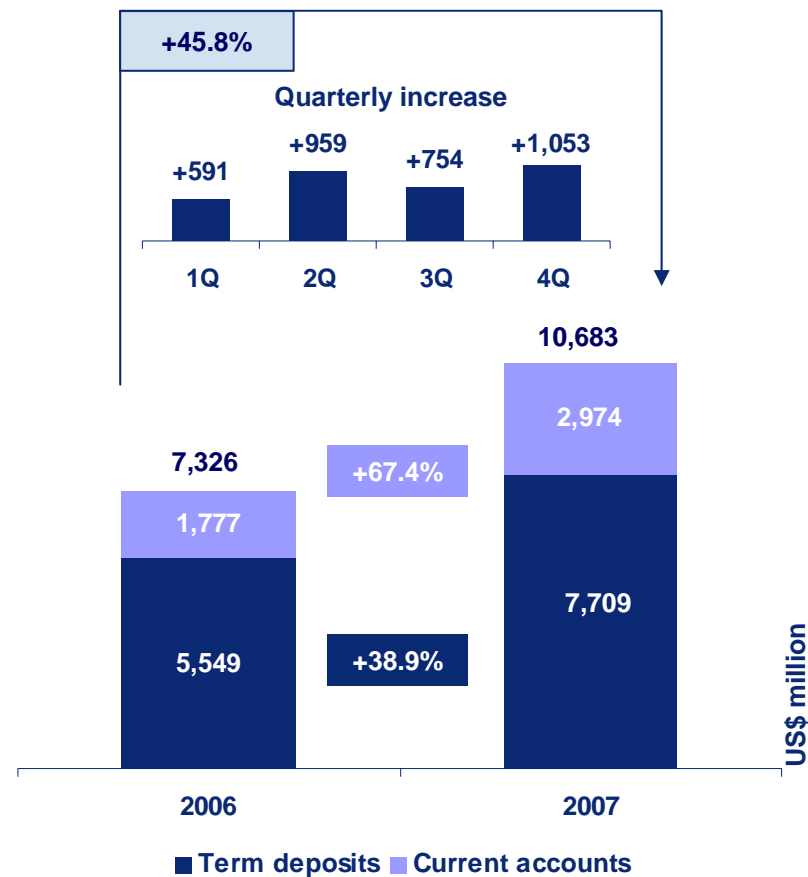


(1) Incl. government bodies accounts

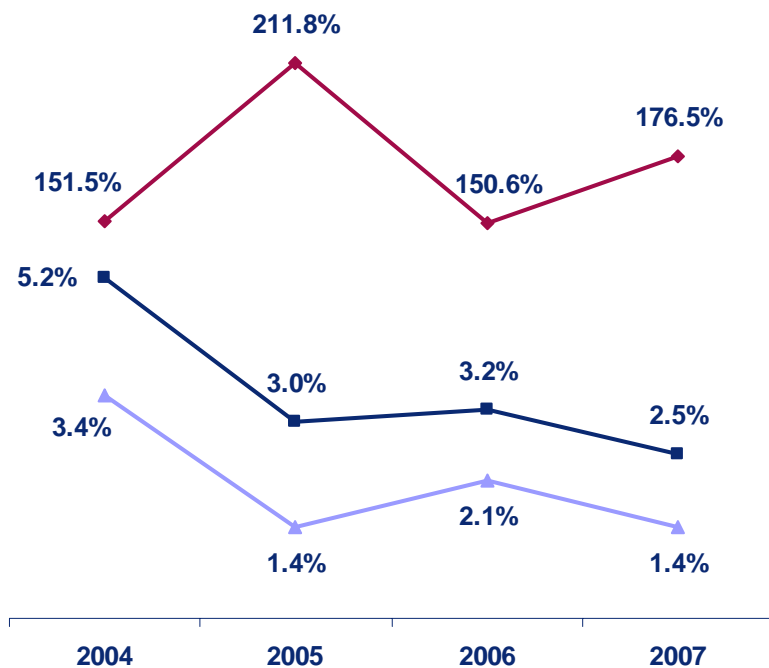
## Retail loans (gross) <sup>(1)</sup>



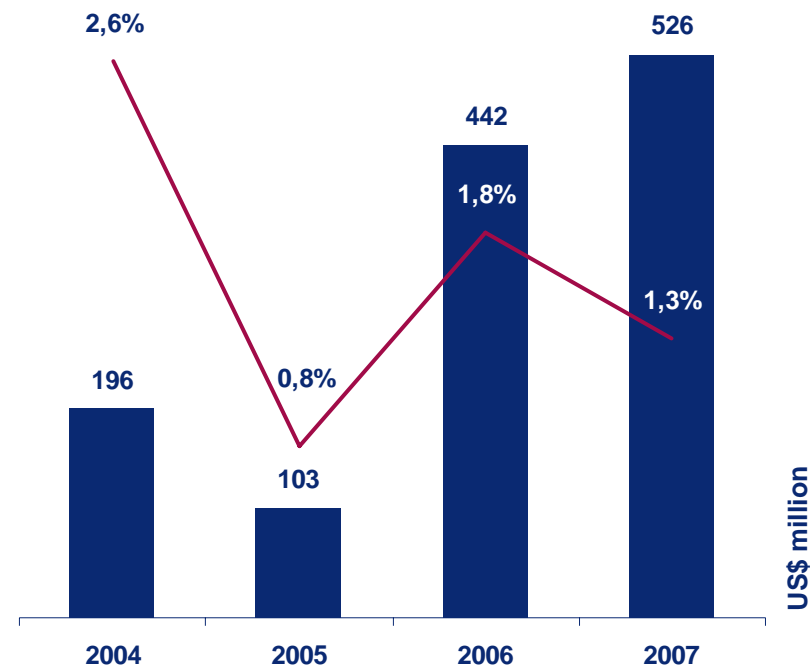
## Retail customer deposits



(1) ) Exclude loans to SMEs



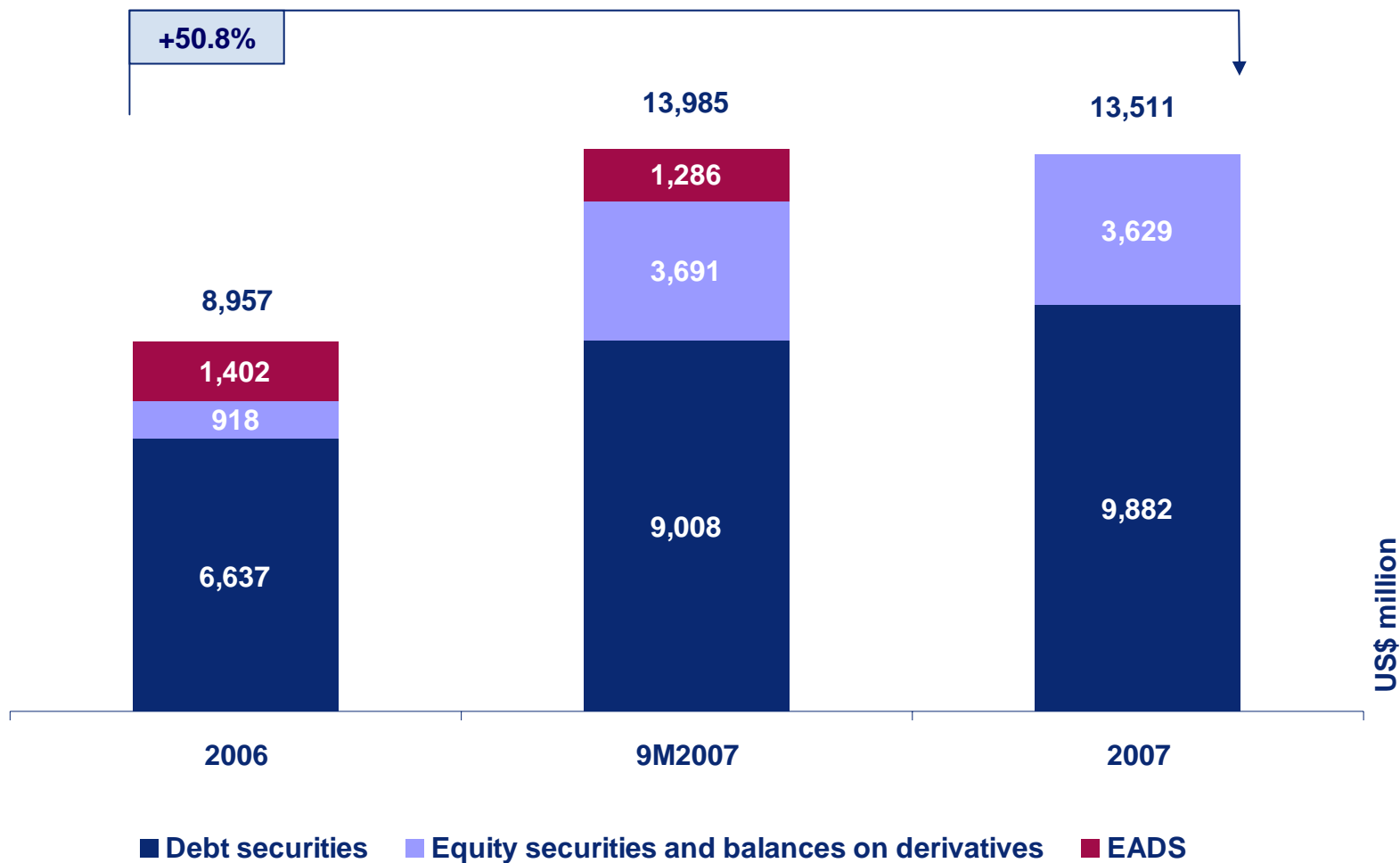
- Allowance for loan impairment/Total gross loans
- ▲ Overdue and rescheduled loans/Total gross loans
- ◆ Allowance for loan impairment/Overdue and rescheduled loans



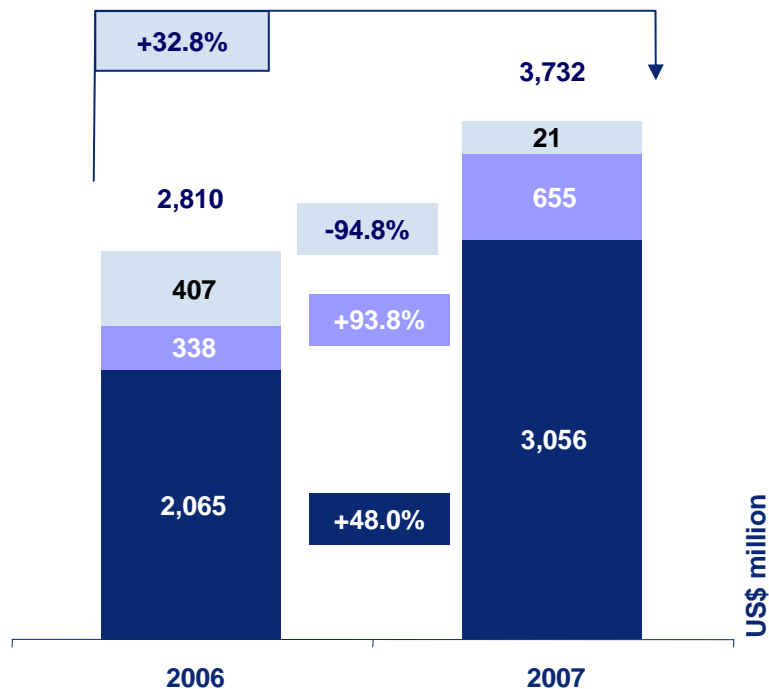
- Provision for loan impairment
- Provision charge/Average gross loan portfolio

Note: Overdue loans represent payments, that are overdue, and do not include the entire amount payable under the loan agreement

## Securities breakdown



## Operating income

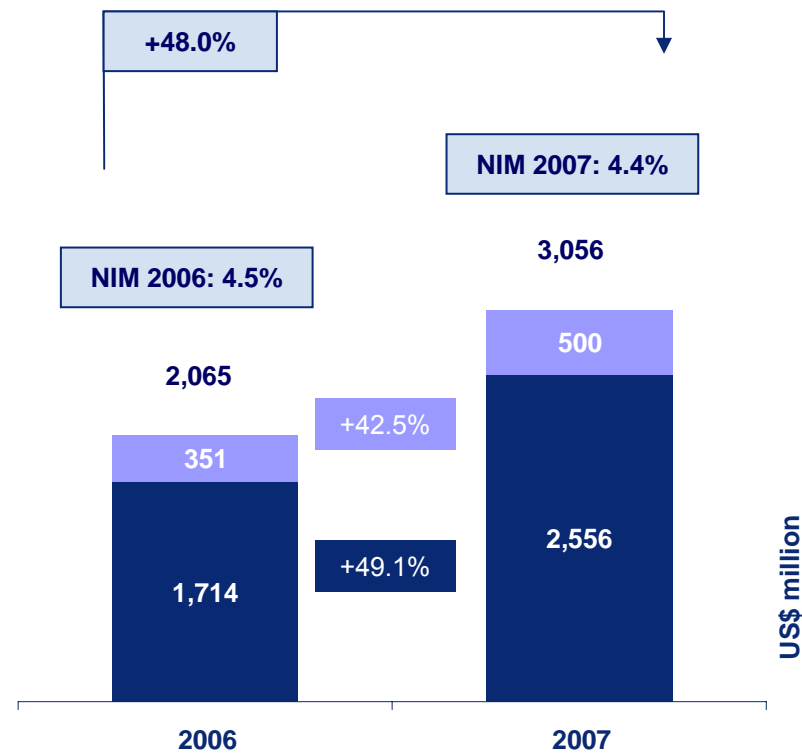


■ Other operating income<sup>(2)</sup>

■ FX gains less losses<sup>(3)</sup>

■ Core income<sup>(1)</sup>

## Core income<sup>(1)</sup>



■ Net interest income before provisions

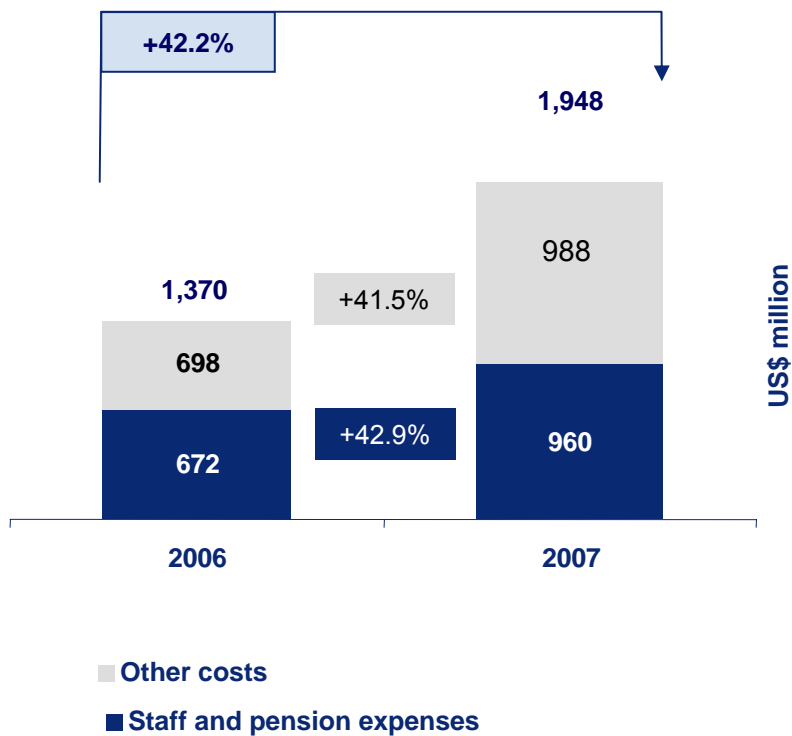
■ Net fee and commission income<sup>(3)</sup>

(1) Includes net interest income before provision for loan impairment and net fee and commission income

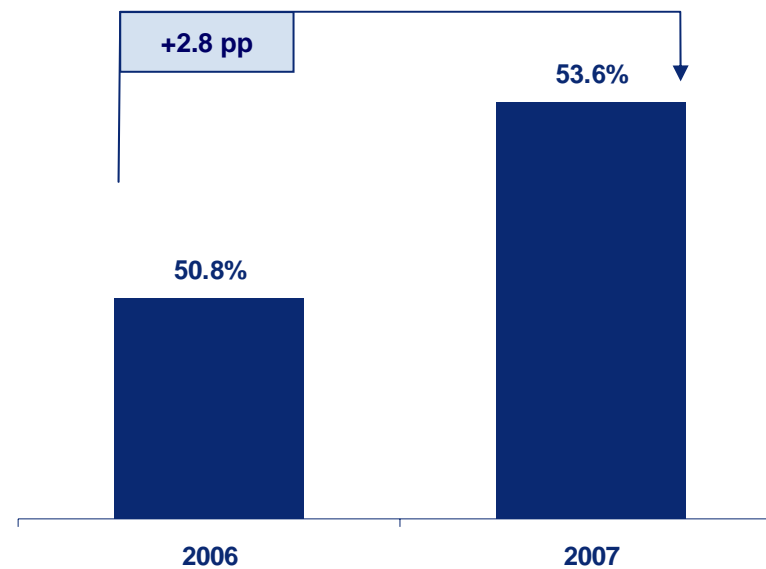
(2) Includes other items from profit and loss accounts

(3) Includes foreign exchange translation gains and gains less losses from dealing in foreign currencies

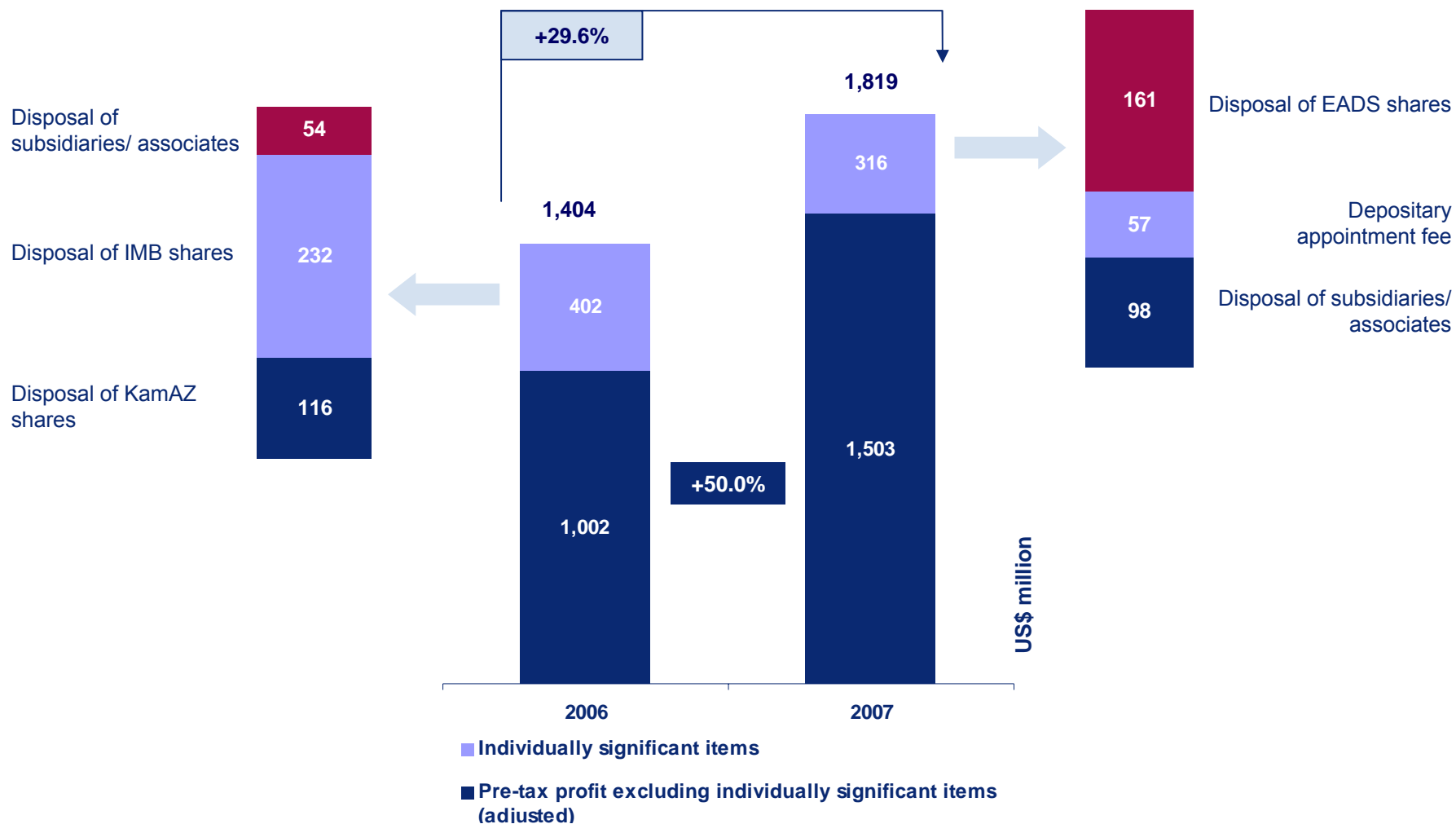
## Operating expenses



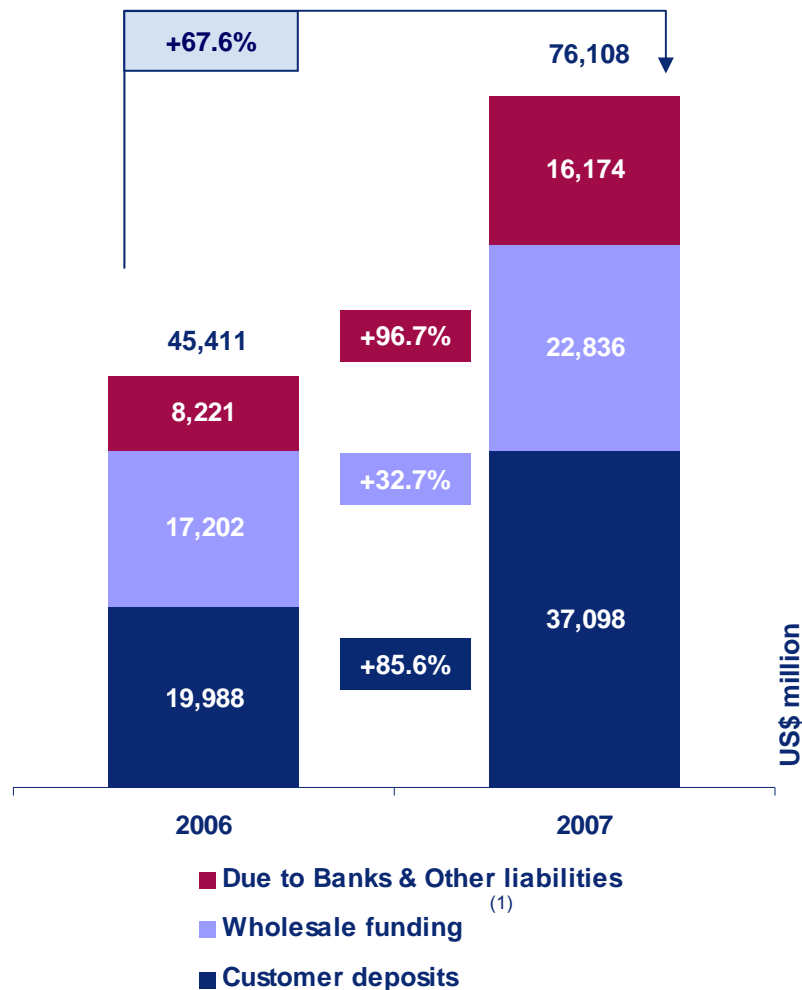
## Cost to income ratio



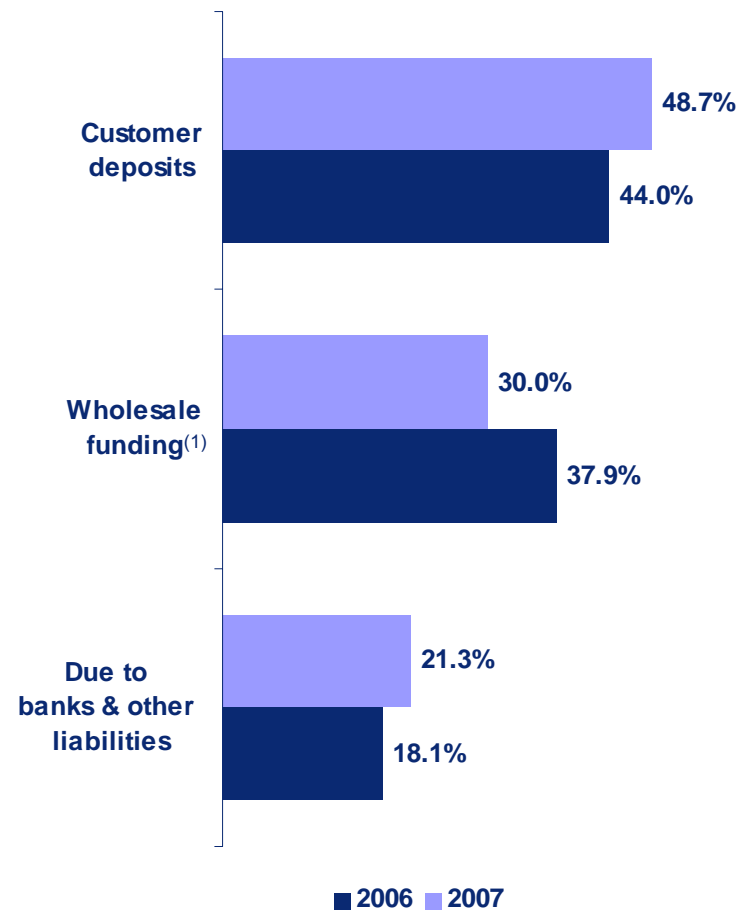
## Profit before taxation



## Total liabilities

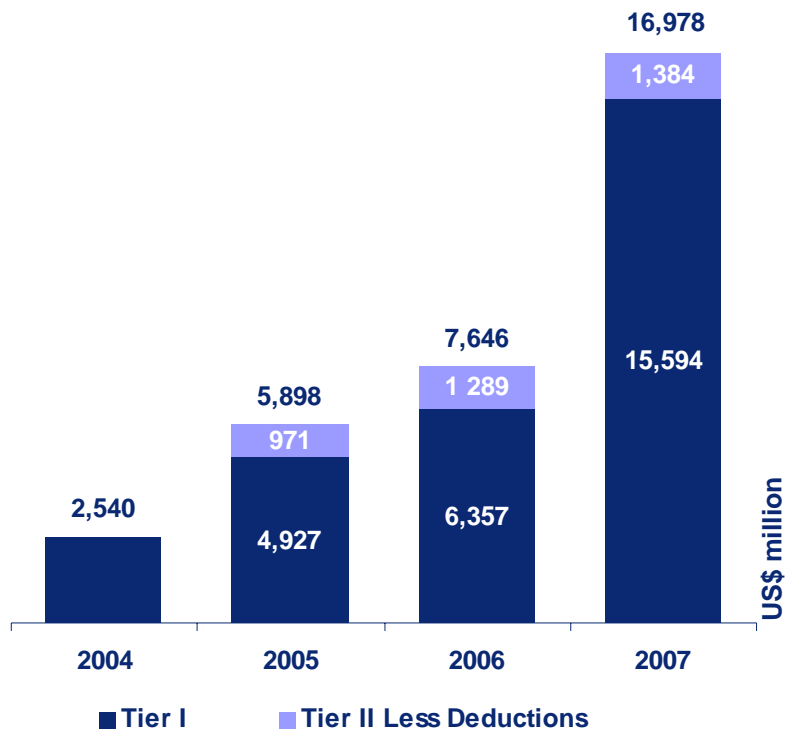


## Breakdown of liabilities (as % of total)

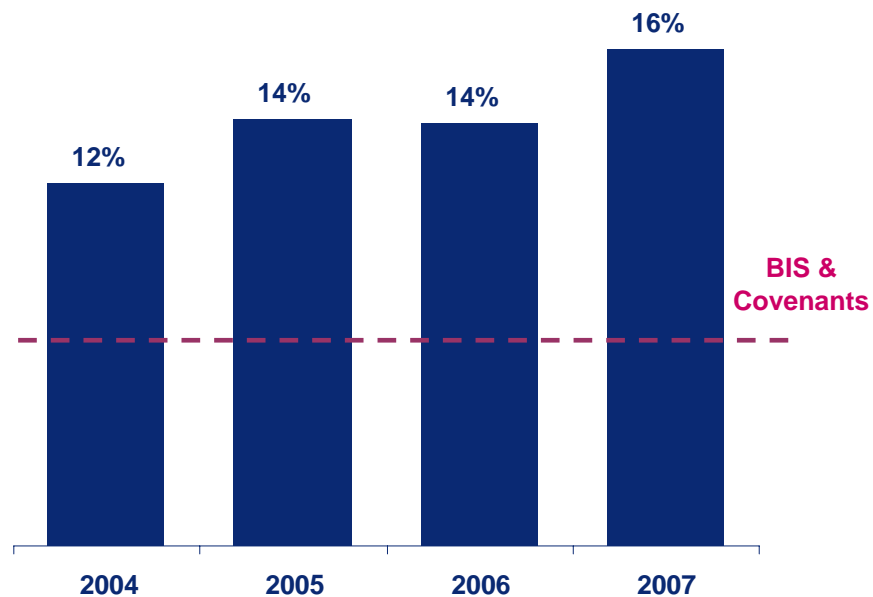


(1) Incl. debt securities issued, other borrowed fund and sub.debt

BIS Group Capital (Tier I + Tier II)



BIS Group Capital Adequacy Ratio





*Andrey Kostin*

## Retail Banking

- Expand VTB24 network to 500 branches
- Improve the retail banking products and services
- Revise the product line and tariff structure
- Improve retail risk management system
- Improve IT systems and optimize processes to support rapid growth
- Utilize VTB24 experience to expand retail business in CIS countries (primary focus on Ukraine and Belarus)

## Corporate Banking

- Intensify deposit gathering efforts
- Maintain net interest margin
- Develop new corporate banking and treasury products
- Develop new tariff plans and product packages
- Increase client "share of wallet"
- Improve sales staff motivation system
- Implement new credit procedure, incl. updated internal credit rating methodology and improved client and transaction credit-risk pricing

## Investment Banking

- Build a team of top investment bankers to lead the new division
- Leverage existing relationships with 2,400 large corporate clients
- Conduct operations from offices based in Moscow, London and Singapore
- Planned investments of US\$500 million over next two years depending on market conditions
- Expected profitability in the third year after IB roll-out

- Grow market share across all business lines
- Finalize customer migration between 3 businesses
- Continue policy of selected acquisitions in the CIS
- Further develop presence in key overseas markets

- Grow faster than Russian banking market both in corporate and retail
- Increase share of retail business in bank loan portfolio to 25-30%
- Maintain current level of net interest margin
- Accelerate commission income growth
- Target cost to income ratio of  $\leq 50\%$
- Improve return on equity to 15-20%



## **Investor Relations**

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| US\$ million                                    | FY/06        | FY/07        | % y-o-y     |
|---|--------------|--------------|-------------|
| <i>Interest income</i>                          | 3,606        | 5,387        | 49.4        |
| <i>Interest expense</i>                         | (1,892)      | (2,831)      | 49.6        |
| <b>Net Interest Income</b>                      | <b>1,714</b> | <b>2,556</b> | <b>49.1</b> |
| Provision charge for impairment                 | (442)        | (526)        | 19.0        |
| Gains less losses from securities               | 566          | 254          | (55.1)      |
| <i>Fee and commission income</i>                | 401          | 637          | 58.9        |
| <i>Fee and commission expense</i>               | (50)         | (80)         | 60.0        |
| <b>Net Fee and Commission Income</b>            | <b>351</b>   | <b>557</b>   | <b>58.7</b> |
| Net gains from dealing in foreign currencies    | 73           | 547          | n.a.        |
| Forex translation gains less losses             | 265          | 108          | (59.2)      |
| Income arising from non-banking activities      | 111          | 95           | (14.4)      |
| Share of income of associates                   | 15           | 18           | 20.0        |
| Other operating income                          | 157          | 123          | 21.7        |
| <b>Operating Income</b>                         | <b>2,810</b> | <b>3,732</b> | <b>32.8</b> |
| Staff Costs & Administrative Expenses           | (1,370)      | (1,948)      | 42.2        |
| Expenses arising from non-banking activities    | (90)         | (63)         | (30.0)      |
| Profit from disposal of associates subsidiaries | 54           | 98           | 81.5        |
| Profit Before Tax                               | 1,404        | 1,819        | 29.6        |
| <b>Net Profit</b>                               | <b>1,179</b> | <b>1,514</b> | <b>28.4</b> |
| Of which minority interest                      | 42           | 34           | (19.0)      |

| US\$ million   | 31/12/06      | 31/12/07       | % y-o-y      |
|--|---------------|----------------|--------------|
| Cash and short-term funds  | 3,581         | 5,160          | 44.1         |
| Mandatory cash balances with central banks                                       | 648           | 825            | 27.3         |
| Financial assets at fair value through profit or loss                            | 5,120         | 10,436         | 103.8        |
| Financial assets pledged under repurchase agreements and loaned financial assets | 2,938         | 2,212          | (24.7)       |
| Due from other banks   | 6,813         | 9,733          | 42.9         |
| <b>Loans and advances to customers, gross</b>                                    | <b>30,235</b> | <b>60,021</b>  | <b>98.5</b>  |
| <i>Allowance for loan impairment</i>   | <i>(973)</i>  | <i>(1,472)</i> | <i>51.3</i>  |
| <b>Loans and Advances to Customers</b>   | <b>29,262</b> | <b>58,549</b>  | <b>100.1</b> |
| Financial assets available-for-sale  | 888           | 858            | (3.4)        |
| Investments in associates  | 200           | 167            | (16.5)       |
| Investment securities held-to-maturity   | 11            | 5              | (54.5)       |
| Premises and equipment   | 1,422         | 1,997          | 40.4         |
| Investment property  | 178           | 168            | (5.6)        |
| Intangible assets  | 455           | 480            | 5.5          |
| Deferred tax asset   | 93            | 215            | 131.2        |
| Other assets   | 794           | 1,804          | 127.2        |
| <b>Total Assets</b>  | <b>52,403</b> | <b>92,609</b>  | <b>76.7</b>  |

| USD million  | 31/12/06      | 31/12/07      | % y-o-y      |
|--|---------------|---------------|--------------|
| <b>Liabilities</b>                                       |               |               |              |
| Due to Other Banks                                       | 7,587         | 14,794        | 95.0         |
| Customer Deposits  | 19,988        | 37,098        | 85.6         |
| Other Borrowed Funds                                     | 4,468         | 5,176         | 15.8         |
| Debt Securities Issued                                   | 11,565        | 16,489        | 42.6         |
| Other liabilities  | 509           | 1,231         | 141.8        |
| Subordinated Debt  | 1,169         | 1,171         | 0.2          |
| <b>Total Liabilities</b>                                 | <b>45,411</b> | <b>76,108</b> | <b>67.6</b>  |
| <b>Equity</b>  |               |               |              |
| Share capital  | 2,500         | 3,084         | 23.4         |
| Share premium  | 1,513         | 8,792         | n.a.         |
| Treasury stock   | -             | (21)          | n.a.         |
| Unrealized gain of AFS securities                        | 154           | 109           | (29.2)       |
| Currency translation difference                          | 352           | 663           | 88.4         |
| Fixed assets revaluation reserve                         | 341           | 587           | 72.1         |
| Retained earnings  | 1,744         | 2,993         | 71.6         |
| <b>Equity attributable to shareholders of the parent</b> | <b>6,604</b>  | <b>16,207</b> | <b>145.4</b> |
| Minority interest  | 388           | 294           | (24.2)       |
| <b>Total Equity</b>                                      | <b>6,992</b>  | <b>16,501</b> | <b>136.0</b> |
| <b>Total Liabilities &amp; Equity</b>                    | <b>52,403</b> | <b>92,609</b> | <b>76.7</b>  |

# Key Financial Ratios

Unaudited figures

| <b>Profitability &amp; Efficiency</b>                 | <b>2006</b> | <b>Q1/07</b> | <b>Q2/07</b> | <b>Q3/07</b> | <b>Q4/07</b> | <b>2007</b> |
|---|-------------|--------------|--------------|--------------|--------------|-------------|
| Net Interest Spread <sup>(1)</sup>                    | 4.4%        | 4.2%         | 3.9%         | 4.4%         | 4.1%         | 4.1%        |
| Net Interest Margin                                   | 4.5%        | 4.2%         | 4.1%         | 4.9%         | 4.6%         | 4.4%        |
| Cost-to-Income Ratio                                  | 50.8%       | 56.0%        | 56.8%        | 45.2%        | 57.8%        | 53.6%       |
| Return on Average Shareholders' Equity <sup>(2)</sup> | 19.7%       | 13.1%        | 9.7%         | 14.1%        | 11.4%        | 12.3%       |
| Return on Average Assets <sup>(2)</sup>               | 2.6%        | 1.7%         | 1.8%         | 3.1%         | 2.2%         | 2.2%        |

(1)  $(\text{Interest Income}/\text{Avg. Interest Earning Assets}) - (\text{Interest Expense}/\text{Avg. Interest Bearing Liabilities})$ . Averages are calculated as a simple quarterly average.

(2) Calculated using net profit and average assets/equity (all including minority interest)

|   | At fair value through P&L | Repo + loaned securities | Available-for-sale | Held-to-maturity | Total         |
|---|---------------------------|--------------------------|--------------------|------------------|---------------|
| <b>Debt securities</b>                  | <b>7,623</b>              | <b>1,986</b>             | <b>268</b>         | <b>5</b>         | <b>9,882</b>  |
| - Russian                               | 6,758                     | 1,009                    | 102                | -                | 7,869         |
| - foreign                               | 865                       | 977                      | 166                | 5                | 2,013         |
| <b>Equity securities</b>                | <b>2,253</b>              | <b>226</b>               | <b>590</b>         | <b>-</b>         | <b>3,069</b>  |
| <b>Balances on derivatives</b>          | <b>560</b>                | <b>-</b>                 | <b>-</b>           | <b>-</b>         | <b>560</b>    |
| <b>Total securities and derivatives</b> | <b>10,436</b>             | <b>2,212</b>             | <b>858</b>         | <b>5</b>         | <b>13,511</b> |

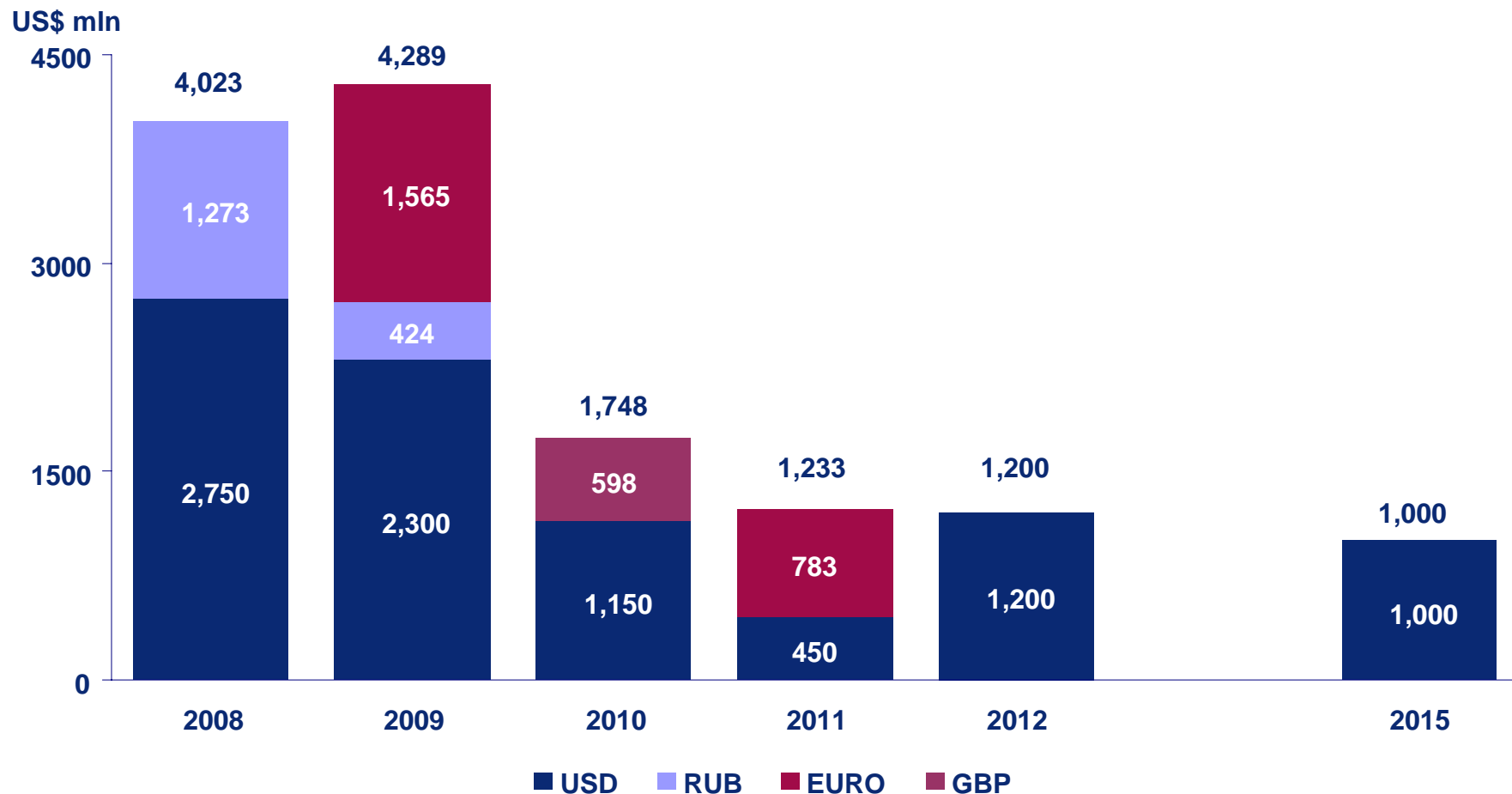
# VTB Group Eurobond Outstanding Issues

Unaudited figures

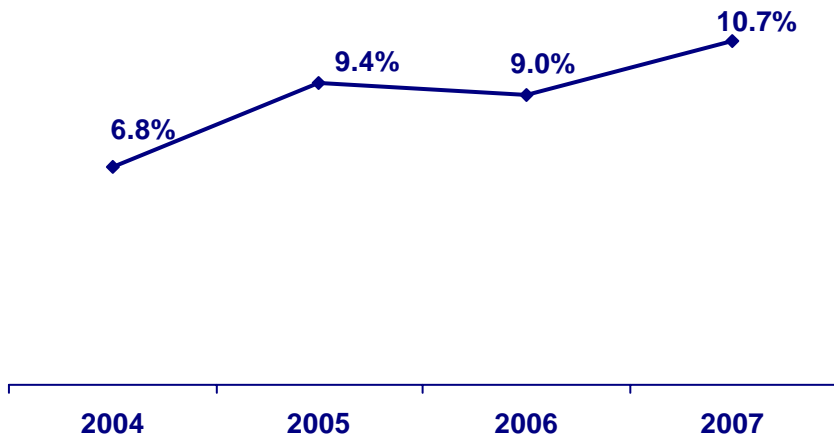
| Borrower               | Amount (US\$, mln) | Instrument                   | Maturity Date  | Coupon   |
|------------------------|--------------------|------------------------------|----------------|----------|
| <b>2008</b>            |                    |                              |                |          |
| VTB Europe             | 150                | Fixed Rate Eurobond          | June 2008      | 4.375%   |
| VTB N-W                | 300                | Fixed Rate Eurobond          | July 2008      | 6.875%   |
| VTB                    | 1,750              | Series 10 Eurobond           | August 2008    | L+0.6%   |
| VTB                    | 1,273              | Series 3 RUB Eurobond EMTN 2 | November 2008  | 7.25%    |
| VTB                    | 550                | Series 1 Eurobond            | December 2008  | 6.875%   |
| <b>Subtotal</b>        | <b>4,023</b>       |                              |                |          |
| <b>2009</b>            |                    |                              |                |          |
| VTB                    | 1,565              | Series EUR 11 Eurobond       | March 2009     | E+0.6%   |
| VTB                    | 424                | Dali RUB Eurobond            | April 2009     | 7.000%   |
| VTB Europe             | 500                | Floating Rate Eurobond       | April 2009     | L+0.625% |
| VTB Europe             | 500                | Fixed Rate Eurobond          | October 2009   | L+0.8%   |
| VTB                    | 800                | Series 2 Eurobond EMTN 2     | November 2009  | L+1.70%  |
| VTB 24                 | 500                | Floating Rate Eurobond       | December 2009  | L+0.820% |
| <b>Subtotal</b>        | <b>4,289</b>       |                              |                |          |
| <b>2010</b>            |                    |                              |                |          |
| VTB                    | 750                | Subordinated Eurobond call   | February 2010  | 6.315%   |
| VTB                    | 598                | Series 12 GBP Eurobond       | March 2010     | 6.332%   |
| VTB N-W                | 400                | Subordinated Eurobond call   | September 2010 | 6.2%     |
| <b>Subtotal</b>        | <b>1,748</b>       |                              |                |          |
| <b>2011</b>            |                    |                              |                |          |
| VTB                    | 783                | Series 9 EUR Eurobond put    | February 2011  | 4.25%    |
| VTB                    | 450                | Series 4 Eurobond            | October 2011   | 7.5%     |
| <b>Subtotal</b>        | <b>1,233</b>       |                              |                |          |
| <b>2012</b>            |                    |                              |                |          |
| VTB                    | 1,200              | Series 1 Eurobond EMTN 2     | October 2012   | 6.609%   |
| <b>2015</b>            |                    |                              |                |          |
| VTB                    | 1,000              | Series 6 Eurobond put        | June 2015      | 6.25%    |
| <b>Total VTB Group</b> | <b>13,493</b>      |                              |                |          |

# VTB Group Eurobond Maturity Profile

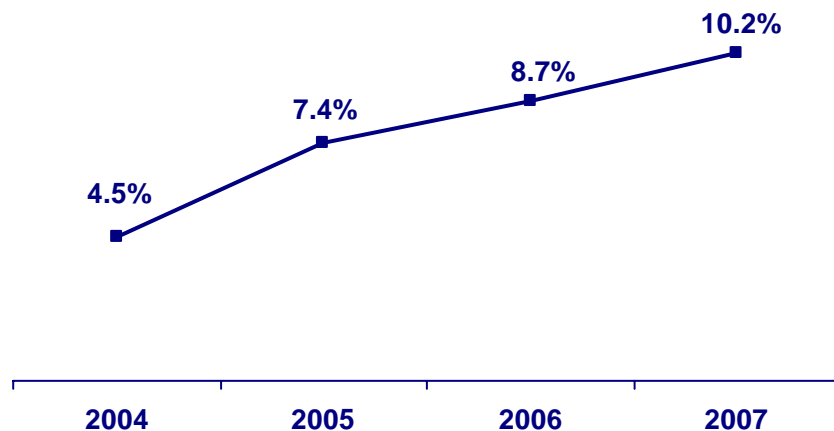
Unaudited figures



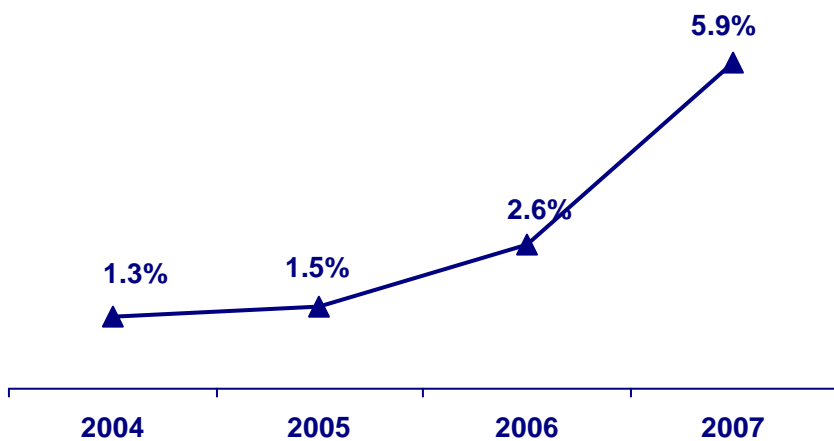
## VTB corporate loans market share



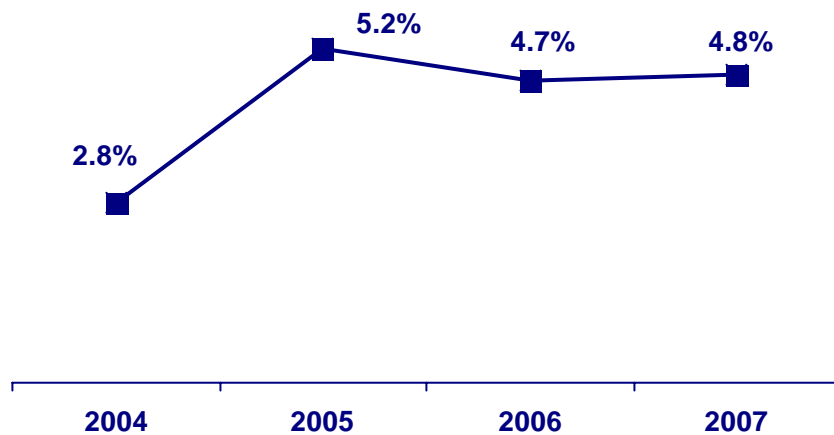
## VTB corporate deposits market share



## VTB retail loans market share



## VTB retail deposits market share



Source: CBR, based on Russian Statutory Financial Statements calculated for banking groups.



## **Investor Relations**

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