

# Banks - holding course for recovery

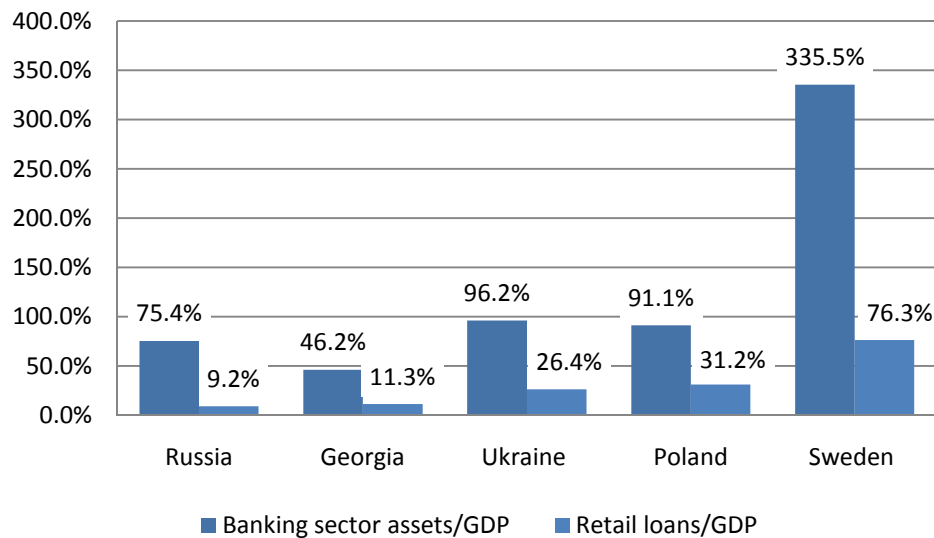
# East Capital in brief

- Leading asset manager dedicated to Eastern Europe
- 6.3 billion USD in public and private equity
- 150 employees
- Offices in Stockholm, Paris, Moscow, Hong Kong, Tallinn, Oslo and Vienna
- Diversified client base across both geography and client segment
- 13 year track record
- Independently owned and managed

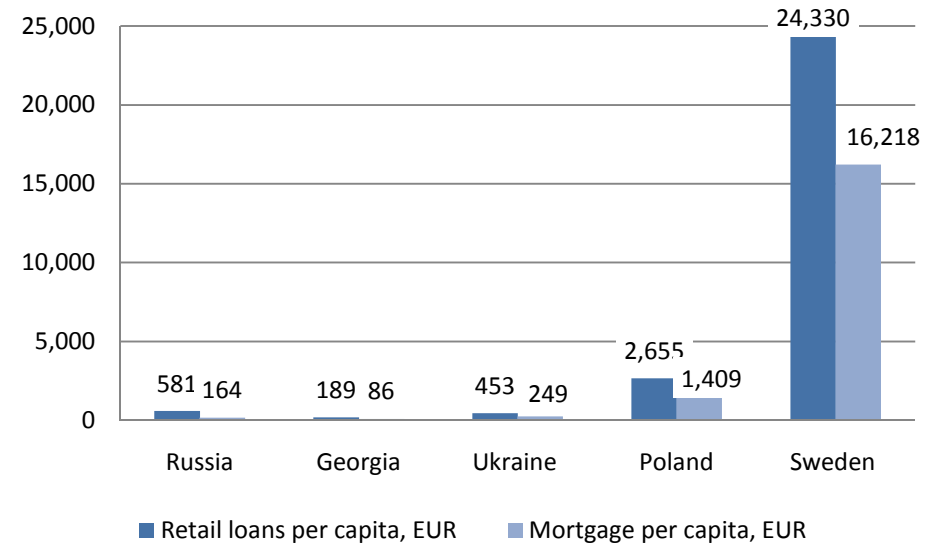


# Why financial institutions?

Banking sector assets and retail loans as % of GDP, 2009YE



Retail loans and mortgage per capita, 2009YE

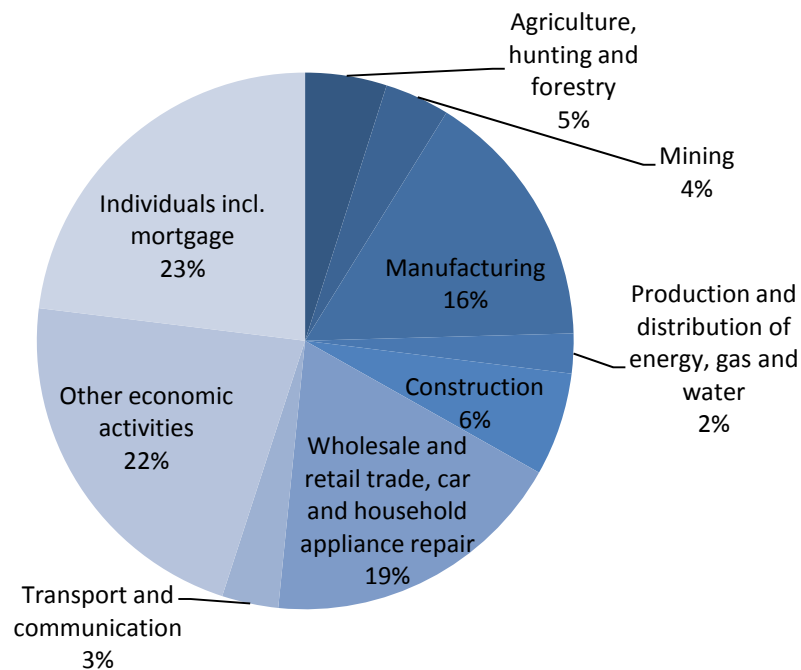


Under-banked: despite robust growth in recent years, the region has still strikingly low penetration of financial products and services

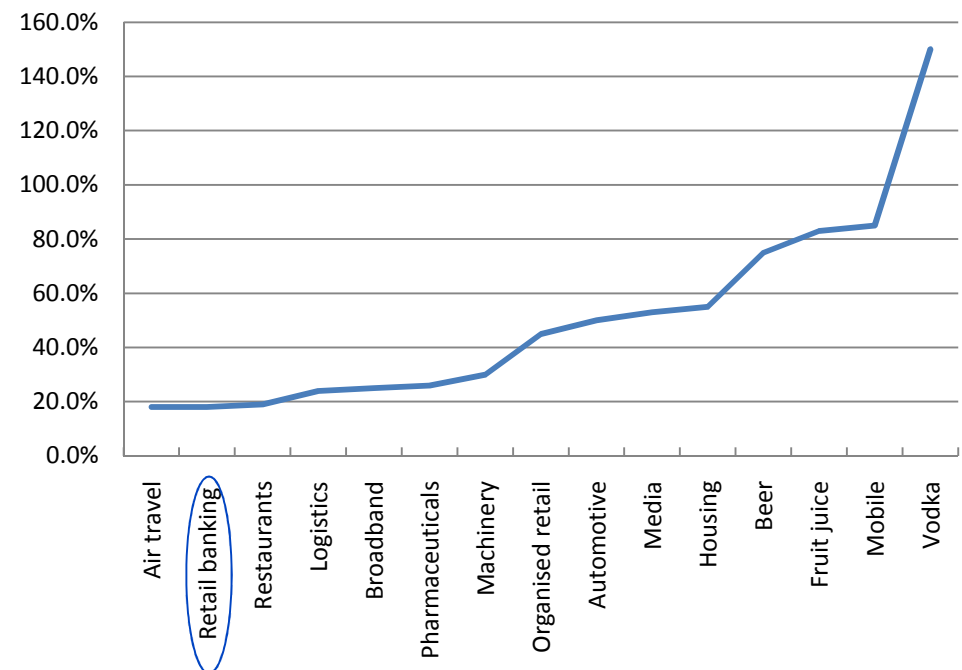
Source: National banks, ECFF estimates

# Broad exposure to a range of sectors

Distribution of loans provided by credit institutions in Russia, 2009YE



Penetration levels in Russia as % of Europe

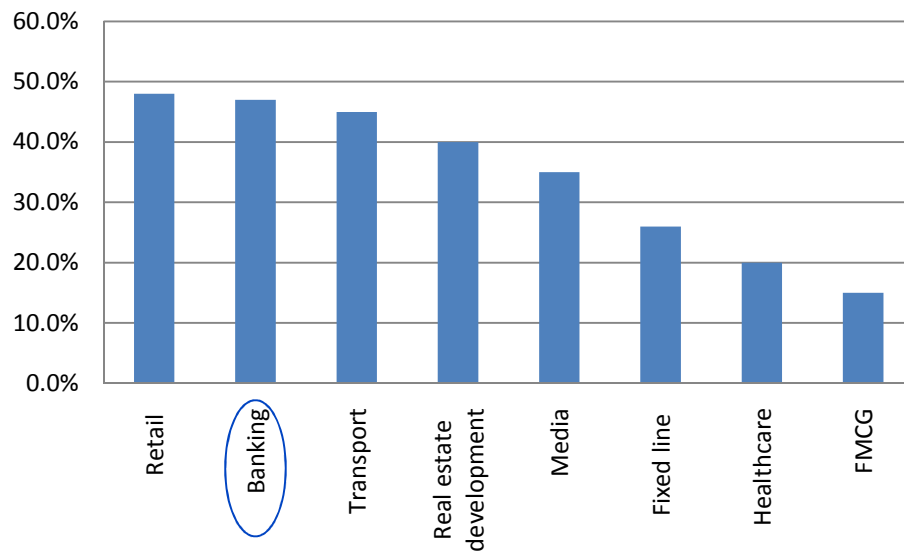


Low penetration levels and high potential to grow in a range of sectors

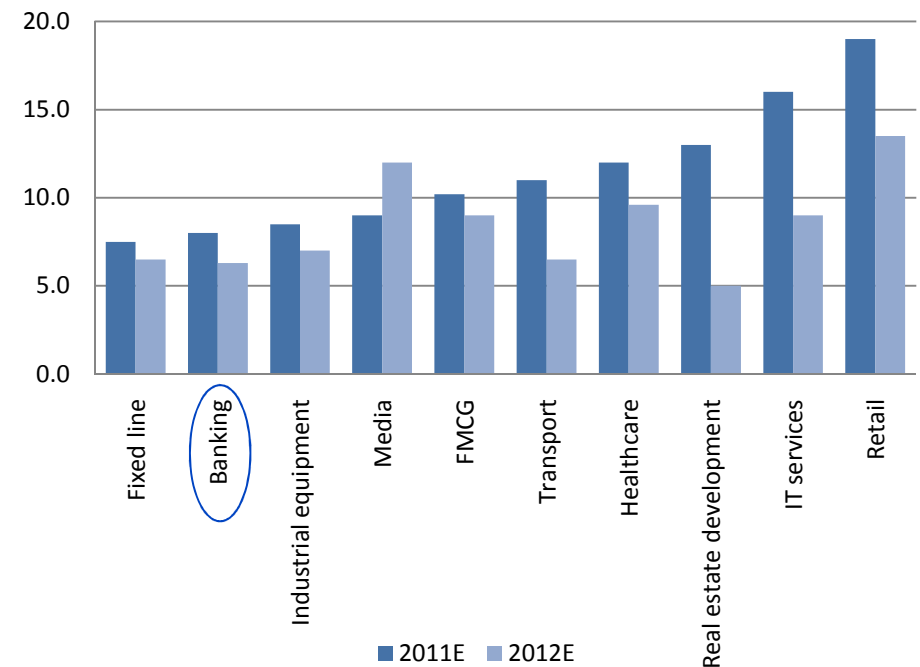
Source: Troika Dialog, CBR

# Earnings growth and valuations - Russia

Earnings growth by sector, 2011E-2012E average



Growth sector valuations, P/E 2011E-2012E

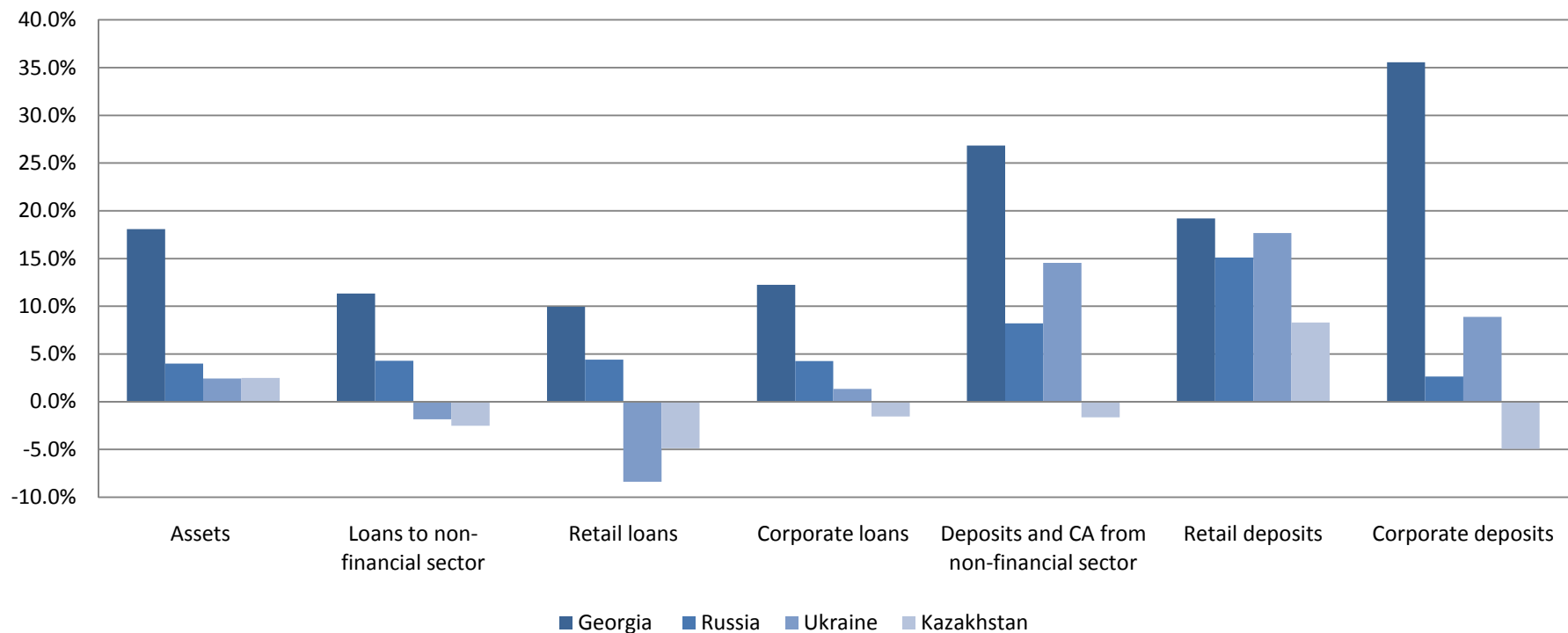


High earnings growth is expected but P/E ratios are still undemanding

Source: Troika estimates

# Gradual recovery is on the way

y-t-d % growth in local currency as of end July 2010

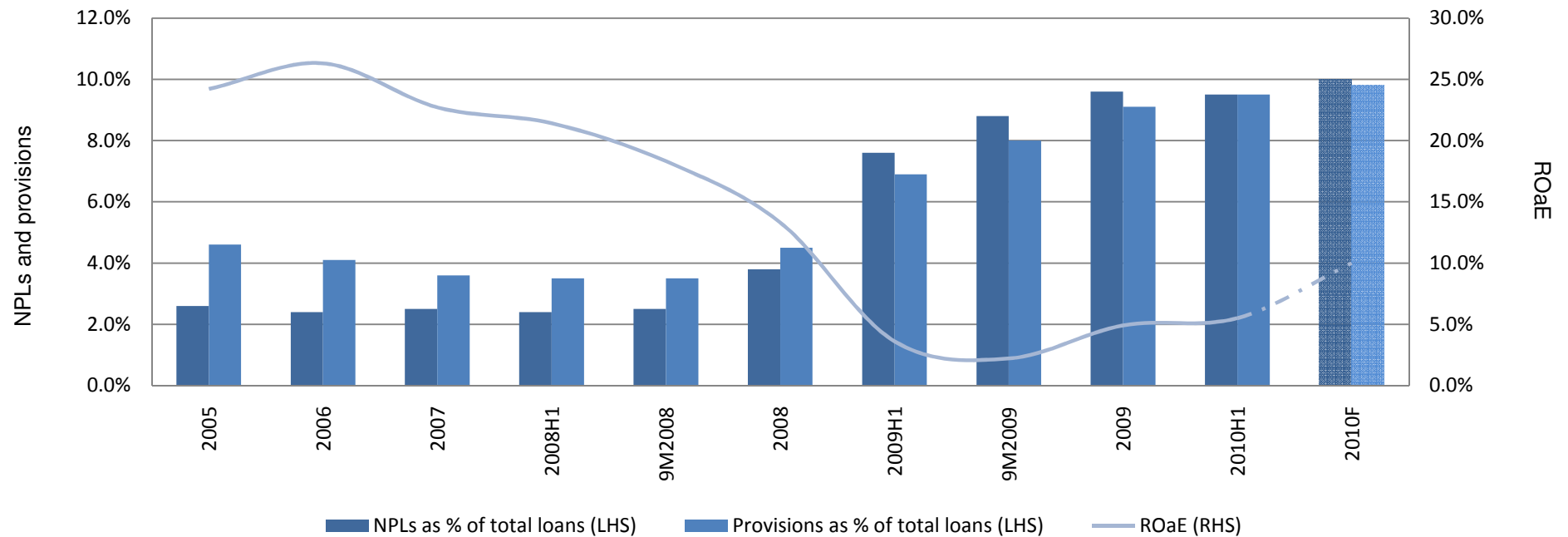


We believe the deposit growth along with a better macro and improving interest rate environment will stimulate lending activity in the second half of the year

Source: National banks

# Decrease in provisions contributes to profitability

## NPLs, provisions and ROaE in Russia



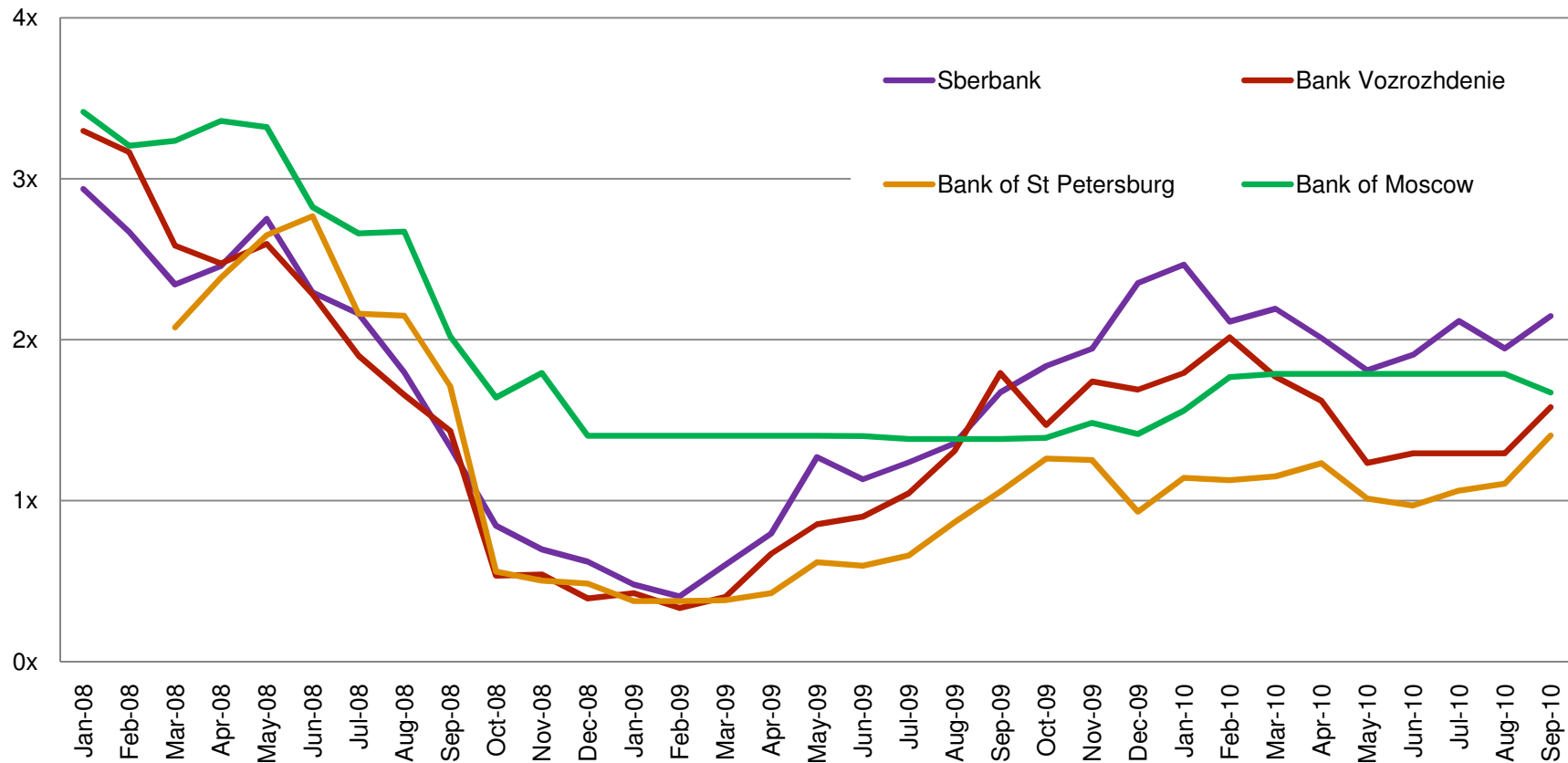
If the positive NPLs trend continues, and no external shocks emerge, we expect that the banks will get an opportunity to decrease provisions on their income statements and offset pressure on margins

NPLs indicate the ratio of total problem and bad loans (IV and V categories) to total loans, provided by credit institutions  
ROaE is calculated as ratio of financial result (before tax) over 12 months to average amount of equity

Source: CBR

# Depressed valuations started to rebound

P/BV multiples over time



Source: Bloomberg

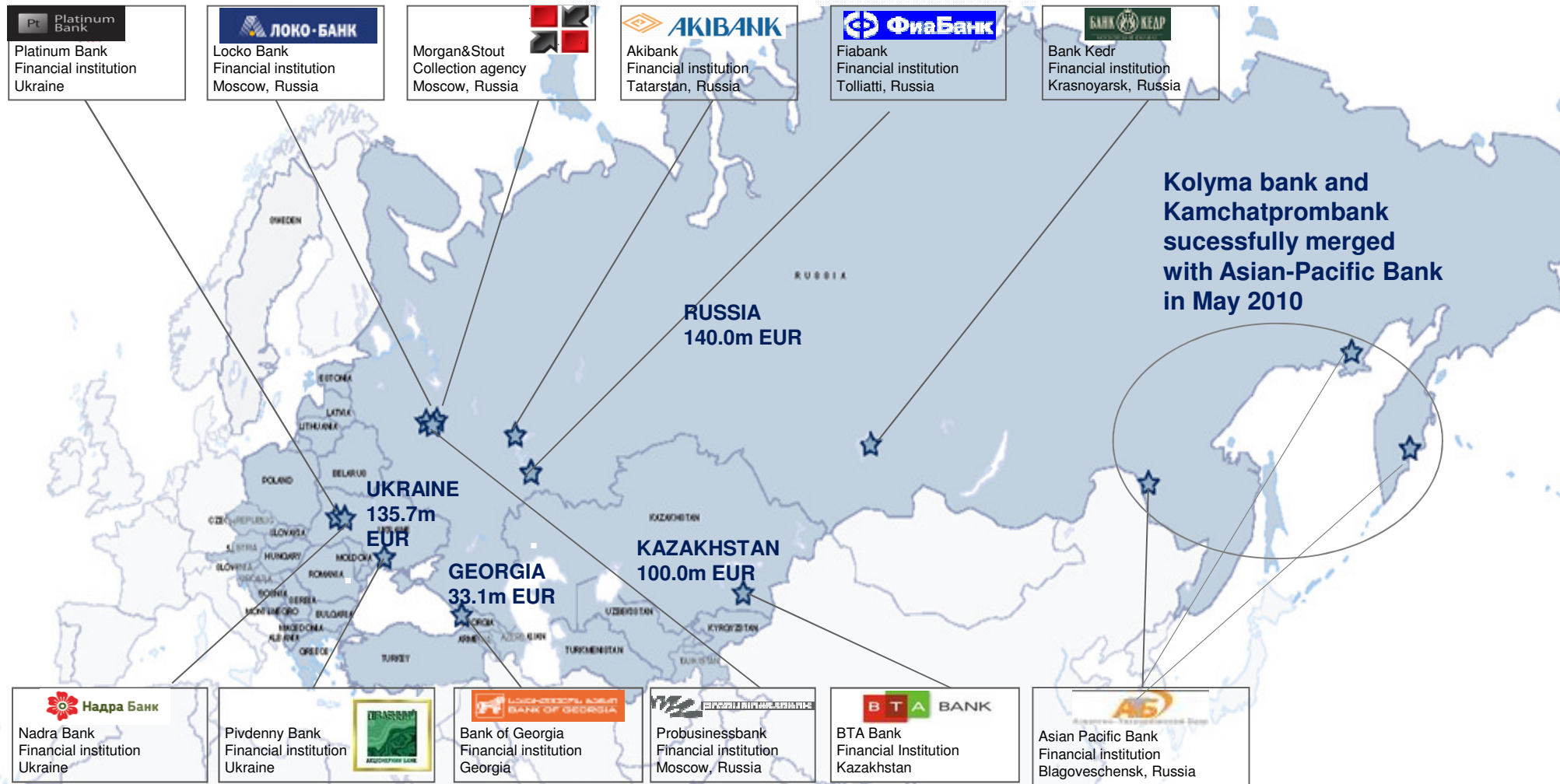


# EC Financials Fund

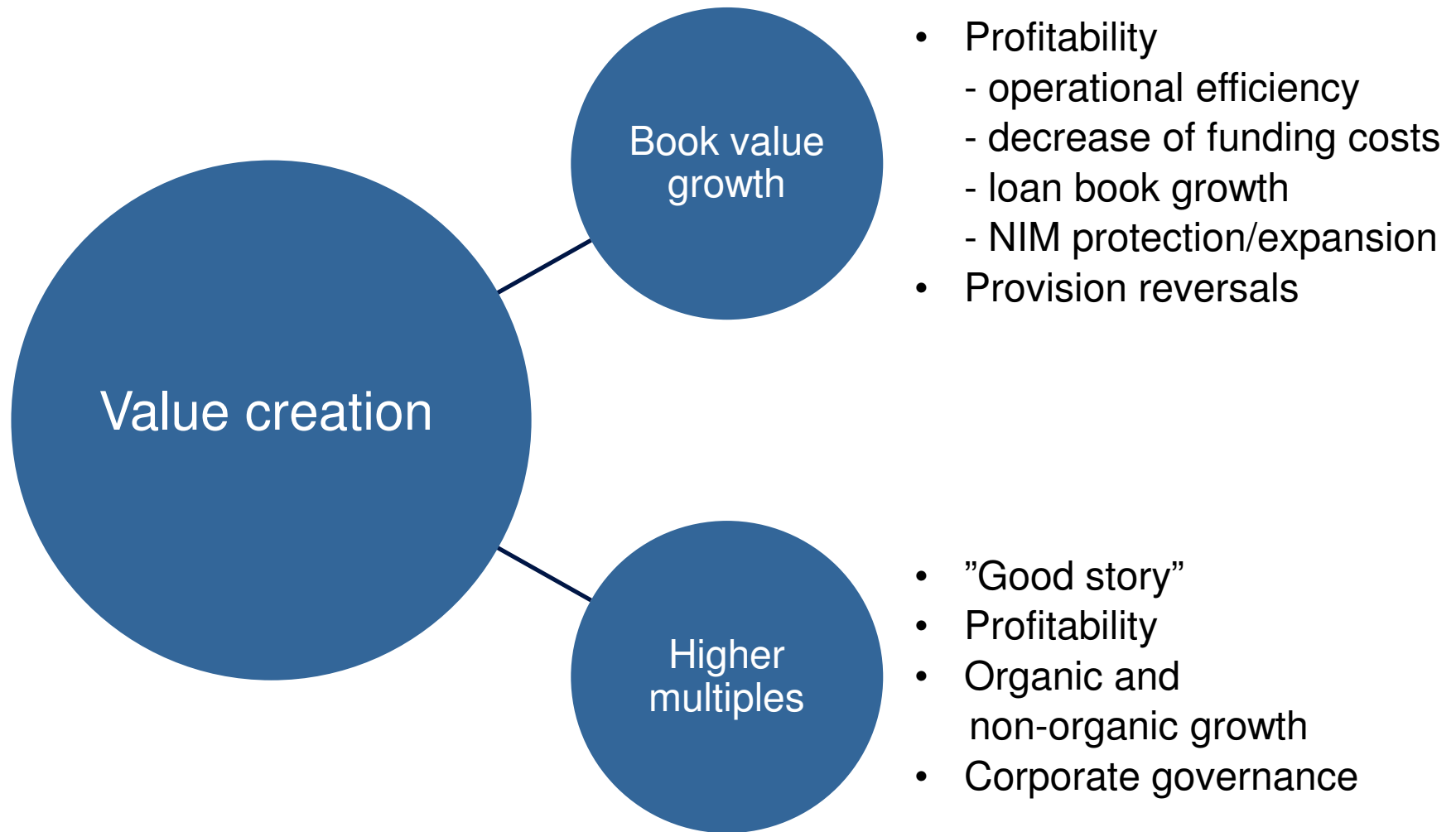
- Launched February 1<sup>st</sup> 2006, EUR 500m in committed capital
- The Fund targets banking institutions and all types of financial intermediation service companies in Russia and CIS, Eastern Europe, Baltic States and Turkey
- The investment team and committee consist of specialists with professional backgrounds and experience within Banking, M&A transactions, Asset Management and Investment Banking in Eastern Europe and CIS
- The fund is fully invested as of July 2008 and is now approaching an exit phase



# EC Financials Fund's portfolio by countries



# Our focus – value enhancement for exit



# Exit prospects in the new reality

## Strategic sale

- Few potential buyers
  - foreign banks have own difficulties
  - some willing but have constraints
- Significance of domestic buyers has increased
- Valuation gap
- High business risks remain

## IPO

- Liquidity is one of the main priorities for investors
- Investors prefer risk-reward profile of blue chips
- Valuations for mid caps lag blue chips
- Packed pipeline, latent stock overhang
- Timing is crucial

Longer exit horizon but the investment case remains strong with the sector being first in line to benefit from improving macro fundamentals

# EAST CAPITAL

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