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# Growth in protected segments resumed



Conference call  
May 26, 2016

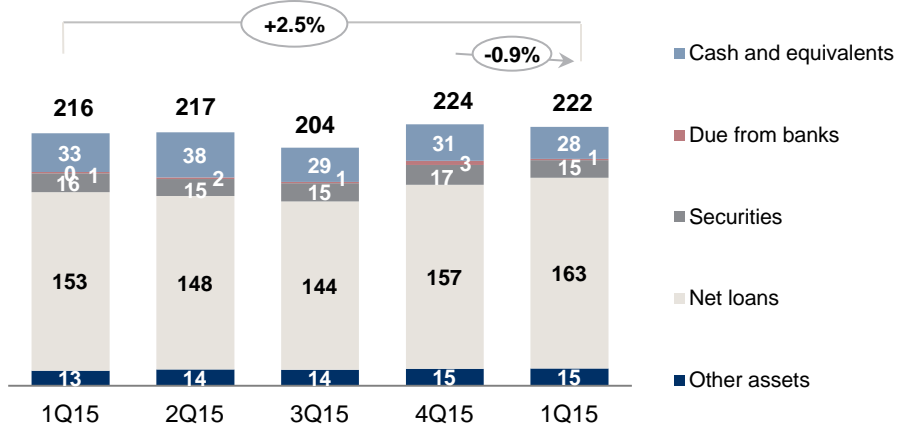
# Q1 2016 highlights

Balance sheet	01.04.2016	01.01.2016	QoQ	01.04.2015	YoY
Assets, RUB billion	221.8	223.9	-0.9%	216.3	2.5%
Liquid assets ratio, %	18.7%	21.1%	-2.4 pps	22.4%	-3.7 pps
Loan portfolio, RUB billion	178.8	173.4	+3.2%	168.4	+6.2%
Retail loan portfolio, RUB billion	54.8	52.7	+4.1%	45.2	+21.2%
Corporate loan portfolio, RUB billion	124.0	120.7	+2.7%	123.1	+0,7%
NPL ratio (1 day+), %	9.77%	11.51%	-1.75 pps	12.01%	-2.25 pps
Customer funds, RUB billion	174.7	169.7	+2.9%	169.5	+3.0%
Retail funds, RUB billion	125.8	127.2	-1.1%	123.5	+1.9%
Corporate funds, RUB billion	48.9	42.4	+15.2%	46.1	+6.1%
Common equity Tier 1 N1.1, %	7.9%	8.3%	-0.4 pps	10.5%	-2.6 pps
Total capital ratio N1.0, %	12.2%	13.0%	-0.8 pps	12.2%	-
P&L	1Q16	4Q15	QoQ	1Q15	YoY
Net interest income, RUB billion	2.23	2.34	-4.4%	2.56	-12.9%
Net fees and commissions, RUB billion	0.97	0.99	-2.1%	0.89	+9.0%
Operating income before provisions, RUB billion	3.3	3.5	-4.7%	3.9	-15.5%
Operating expenses, RUB billion	(2.23)	(2.16)	+3.0%	(2.41)	-7.8%
Net loss, RUB billion	(0.27)	(1.24)	-78.3%	0.04	-
Cost of risk ratio, %	2.1%	5.1%	-3.0 pps	3.3%	-1.2 pps
NIM, %	4.0%	4.4%	-40 bps	4.6%	-60 bps
ROE, %	-4.9%	-22.8%	+17.9 pps	+0.7%	-5.6 pps

# Assets

## Asset structure

RUB bln



## Key points

The bank effectively employed the liquidity accumulated late 2015 and expanded its loan book.

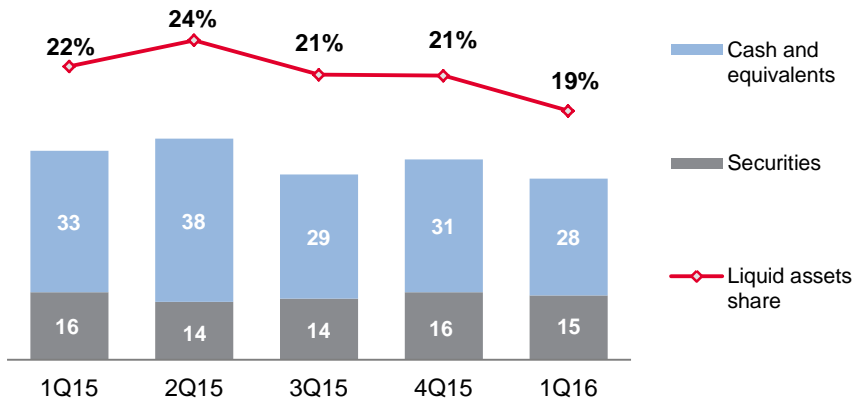
Assets decreased by **0.9%** YTD while net loan portfolio widened by **3.6%** during the same period to **RUB163.2 billion** balancing the contraction of cash&equivalents and securities portfolio.

The share of net loans in the total assets rose by **3.3 pps** to **74%**.

The share of interest-earning assets grew by **1.4 pps** since December 31, 2015 to **80.9%**.

## Liquid assets

RUB bln



## Key points

Cash and equivalents were down by **11.9%** over Q1 2016 to RUB27.5 billion as of March 31, 2016 and securities portfolio was down by **11.6%** to **RUB15.1 billion**.

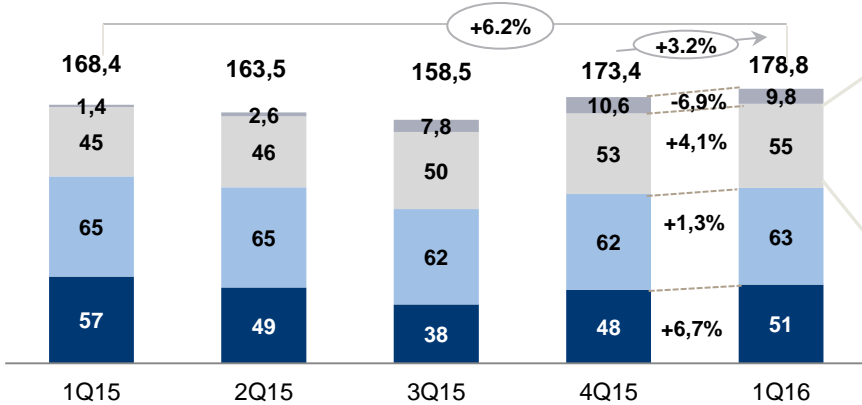
The share of liquid assets slid by **2,4 pps** over the quarter but remained at the comfortable level of **18.7%**.

# Loan portfolio

## Loan portfolio

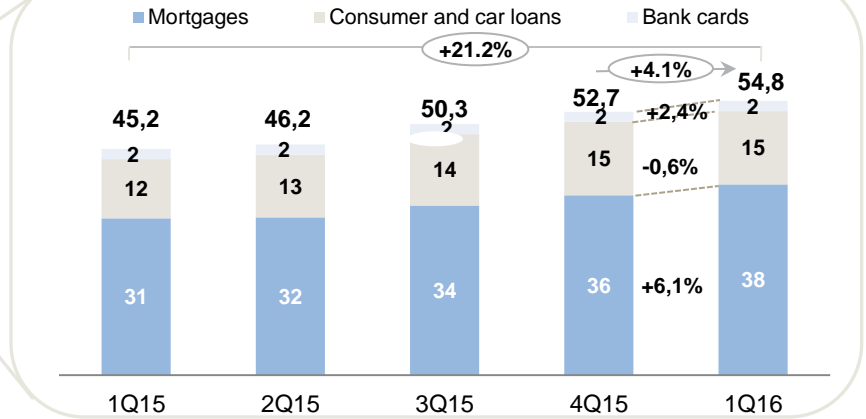
■ Loans to large corporates
 ■ SME loans
 ■ Retail loans
 ■ Loans to administrations

RUB bln



## Retail lending

RUB bln



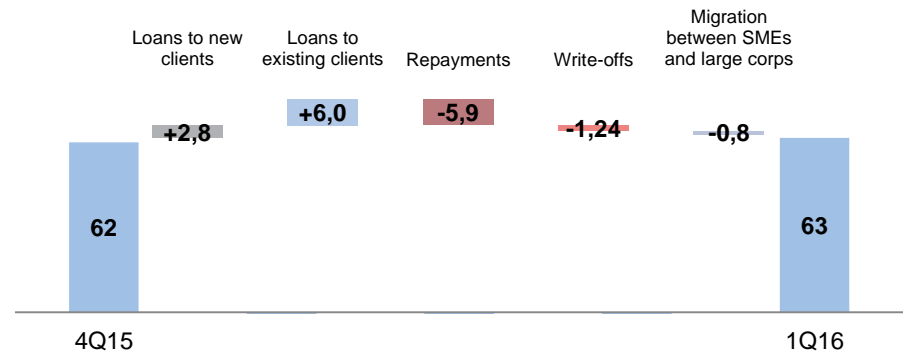
## Large corporate loan book dynamics

RUB bln



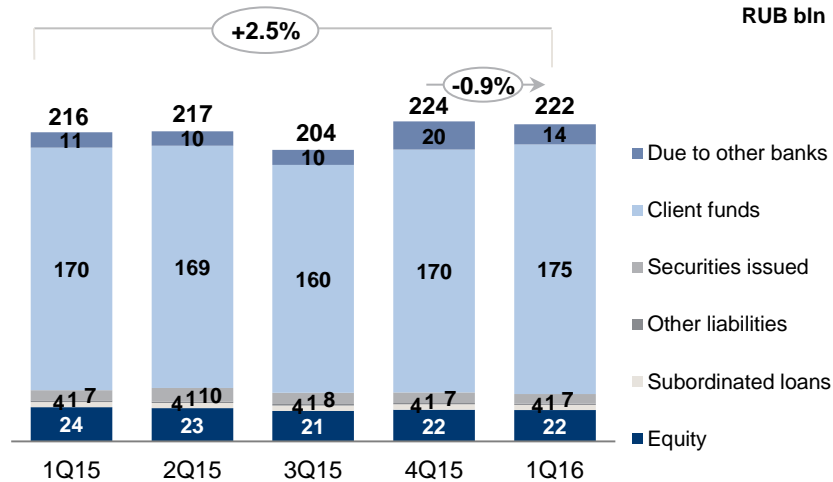
## SMEs dynamics

RUB bln



# Liabilities

## Liabilities structure

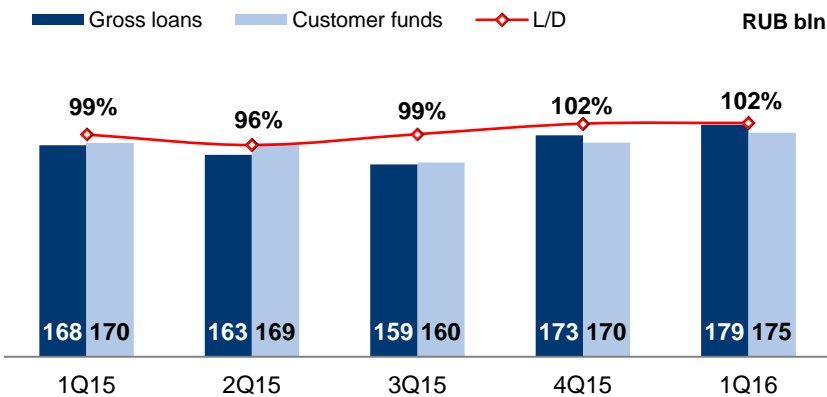


## Key points

Liabilities increased YoY due to **3.0%** growth in customer funds and **28.8%** growth in due to other banks.

In quarterly terms, liabilities remained almost at the year-start level with a **0.9%** decrease. Customer accounts added **3.0%** but these positive dynamics were offset by due to other banks shrunk by **29.3%** resulting from partial repayment of loans to the Bank of Russia raised at the end of 2015. In 1Q16 customer funding rates became more attractive.

## Loans-to-Deposits ratio

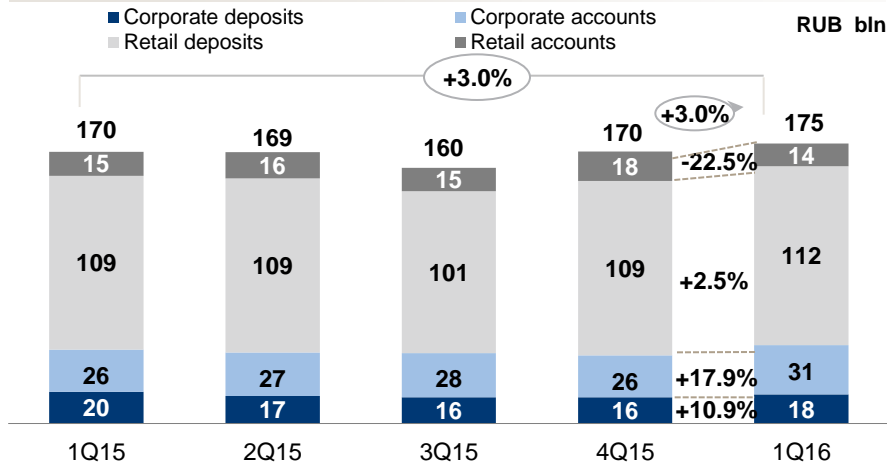


## Key points

Loan and deposit portfolios were growing equably throughout the quarter so L/D ratio stayed unchanged within the comfortable range.

# Customer funds

## Customer funds structure



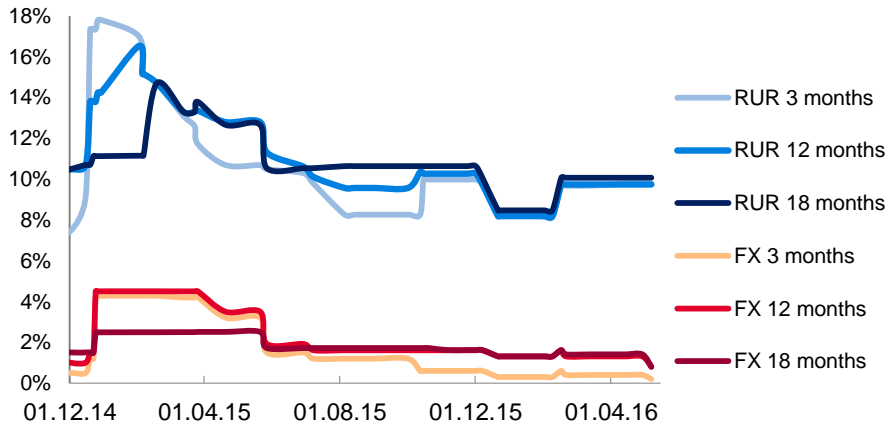
## Key points

Customer accounts added **3.0% QoQ** on the back of the recovery in corporate deposits (**+10.9%**) and current accounts (**+17.9%**).

Retail deposits were up **2.5% YtD**, while card accounts balances fell by **22.5%** in Q1 2016 influenced by a seasonality factor.

The share of current accounts in customer funds accounted for **25.7%**.

## Dynamics of effective rates on retail deposits



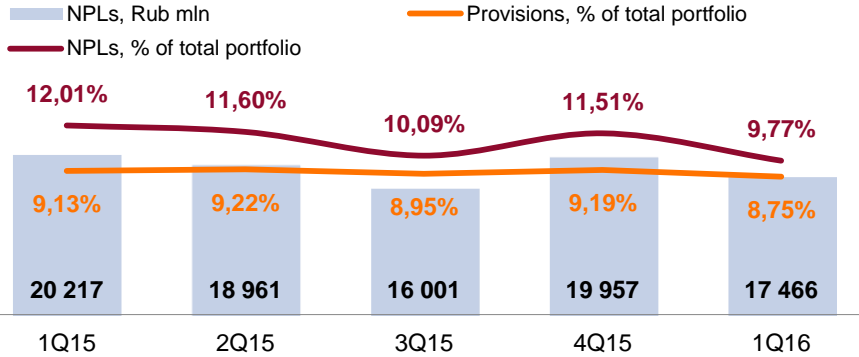
## Key points

In 2015 substantial amounts of retail deposits were attracted for short terms, less than a year. The bank intentionally did not promote longer-term deposits in expectation of rate moderation which fell to the year-end, when clients re-allocated their funds.

In 2016 rate dynamics became more stable amid normalised situation at financial markets. Deposits with maturity over 12 months expanded by **34.1%** in Q1 2016. Accounts with shorter terms, au contraire, shrank by **11.0%** over the reporting quarter.

# Credit quality management

## NPLs dynamics



\* NPL includes the whole principal of loans at least one day overdue either on principal or interest as well as not overdue loans with signs of impairment

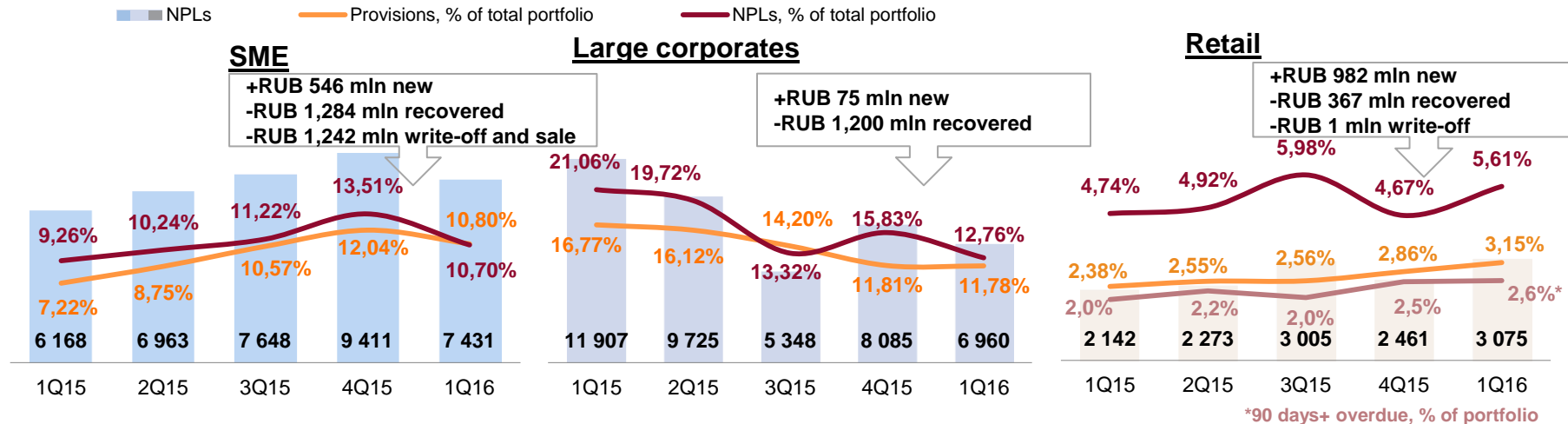
## Key points

NPLs share in the total loan book decreased by **1.74 pps** to **9.77%**.

Retail NPLs grew by **0.94 pps** to **5.6%** with technical delays in repayments for less than 90 days being the main reason of such growth.

NPL coverage for 1day+ NPLs rose by **9.8 pps** to **89.6%** and for 90 days+ NPLs grew by **3.0 pps** to **115.9%**.

## NPLs categorisation



### SME

+RUB 546 mln new  
-RUB 1,284 mln recovered  
-RUB 1,242 mln write-off and sale

### Large corporates

+RUB 75 mln new  
-RUB 1,200 mln recovered

### Retail

+RUB 982 mln new  
-RUB 367 mln recovered  
-RUB 1 mln write-off



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# Credit quality

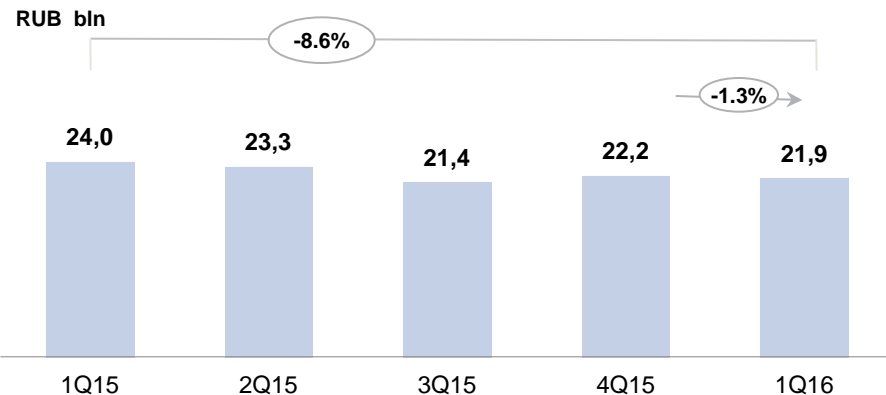
						RUB mln	
As of March 31, 2016	Large corporates	SMEs	Mortgages	Other retail	Total		Total provisions to NPLs Ratio
Gross loans including	54,546	69,478	38,132	16,690	<b>178,846</b>		<b>89.6%</b>
Current loans	40,969	62,047	36,537	15,210	<b>154,763</b>		
Loans with signs of impairment, individually assessed for impairment but not impaired	6,617	--	--	--	<b>6,617</b>		Total provisions to 90 days+ NPLs
Impaired but not overdue loans	1,538	311	--	--	<b>1,849</b>		<b>115.9%</b>
Overdue less than 90 days	--	452	1,120	544	<b>2,116</b>		
Overdue over 90 days	5,422	6,668	475	936	<b>13,501</b>		Rescheduled loans
<b>Total NPLs</b>	<b>6,960</b>	<b>7,431</b>	<b>1,595</b>	<b>1,480</b>	<b>17,466</b>		<b>4.9%</b>

**NPL** - the whole principal of loans at least one day overdue either on principal or interest as well as impaired but not overdue loans

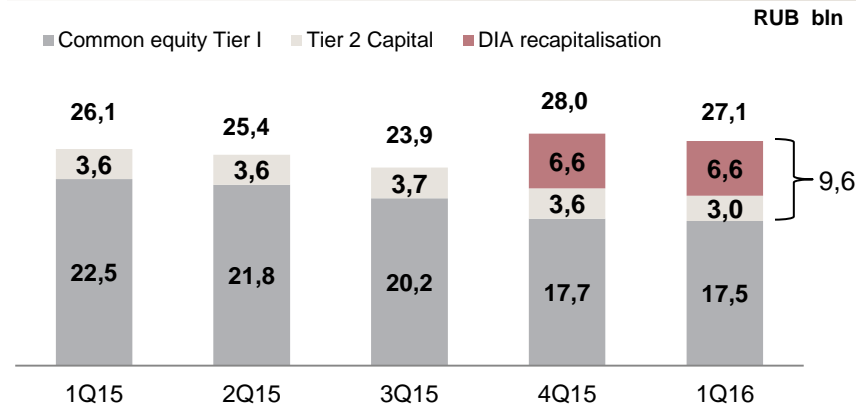


# Capital position

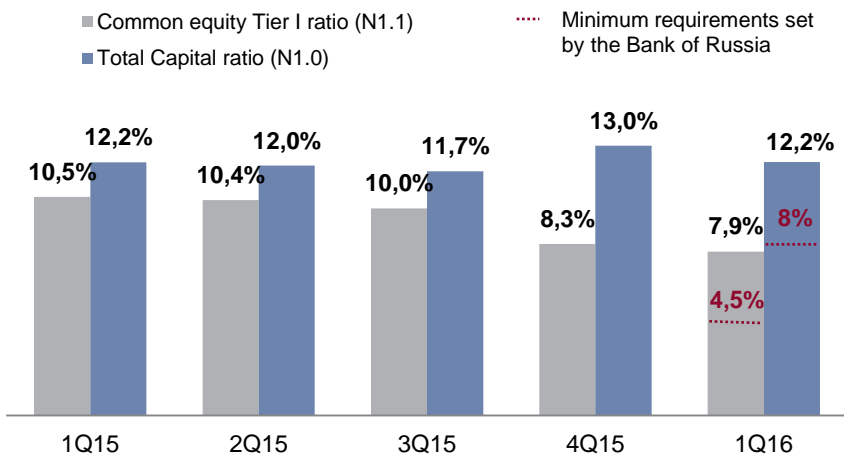
## IFRS capital



## Basel III regulatory capital



## Capital adequacy under Basel III



## Key points

A small decline of the bank's equity by **1.3%** over the reporting period to **RUB 21.9 billion** resulted from a loss incurred in Q1 2016.

N1.1 norm was equal to **7.9%** as of March 31, 2016 (**8.3%** as of December 31, 2015) while the minimum set level is **4.5%** and N1.0 norm was equal to **12.2%** (**13.0%** as of December 31, 2015) while the minimum set level is **8%**.

Some decrease in regulatory norms was reasoned by RWA widening (**+3.0%** over the quarter to **RUB 222.3 billion**) and by Basel III Total Capital reduction by **3.2%** to **RUB 27.1 billion**.

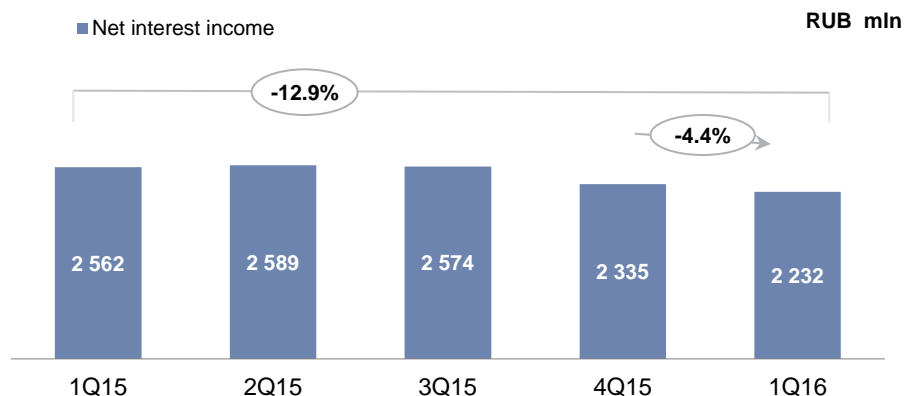
# Financial highlights

RUB mln

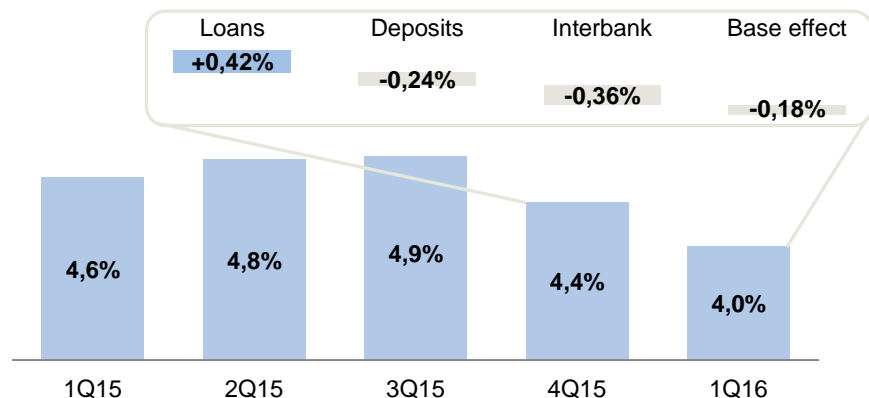
<i>As of March 31, 2016</i>	1Q16	4Q15	QoQ	1Q15	YoY
Interest income	6,028	5,777	+4.3%	5,918	+1.9%
Interest expense	(3,796)	(3,442)	+10.3%	(3,356)	+13.1%
Fee and commission income	1,163	1,203	-3.3%	1,074	+8.3%
Fee and commission expense	(195)	(214)	-8.9%	(187)	+4.3%
Other operating income	93	133	-30.0%	446	-79.1%
<b>Total operating income b.p.</b>	<b>3,293</b>	<b>3,457</b>	<b>-5.0%</b>	<b>3,895</b>	<b>-15.5%</b>
Operating expenses	(2,226)	(2,161)	+3.0%	(2,414)	-7.8%
Provisions for loan impairment	(910)	(2,132)	-57.3%	(1,415)	-35.7%
Losses on origination of assets at rates below market	(516)	-	-	-	-
Provisions for impairment of other assets	8	(904)	-	(19)	-
Provisions for credit related commitments	(2)	(29)	-93.1%	-	-
Loss from premises and equipment revaluation	-	(182)	-	-	-
Gains less losses on revaluation of investment properties	27	-	-	-	-
Taxation	57	710	-92.0%	(7)	-
<b>Net loss (profit)</b>	<b>(269)</b>	<b>(1 241)</b>	<b>-78.3%</b>	<b>40</b>	<b>-</b>

# Net interest income

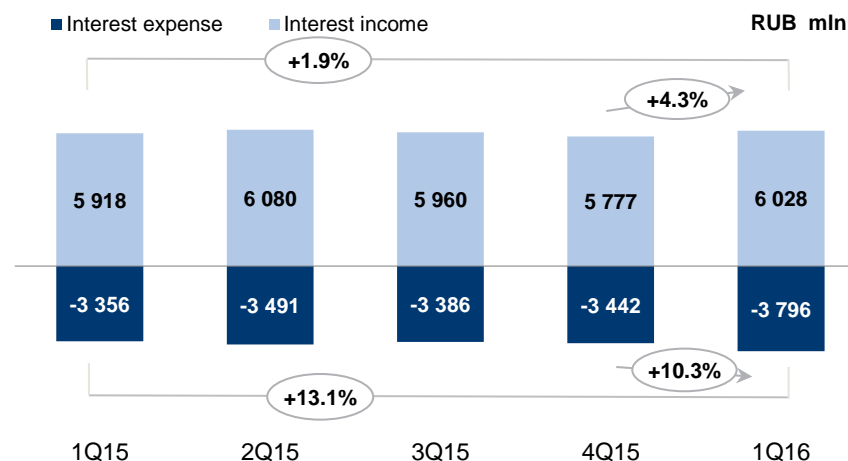
## Net interest income



## Net interest margin



## Interest income and expense



## Key points

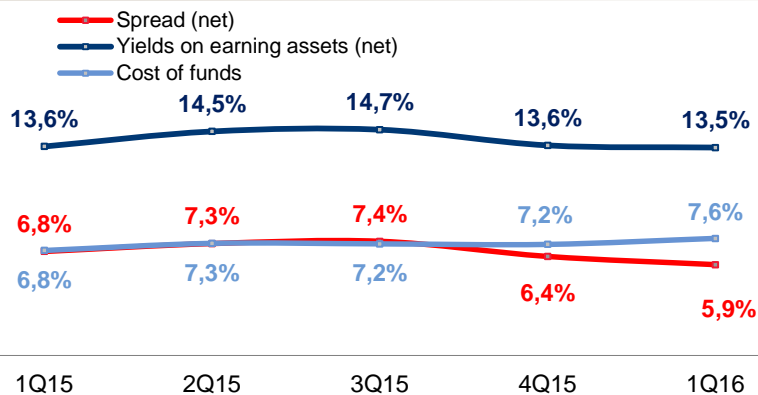
In Q1 2016 the bank's interest income grew by **4.3%** on the back of the loan book widening.

Interest expense added **10.3%** over the quarter under the influence of the following factors: inflow of RUB deposits that gradually replace FX savings and higher costs on due to banks. Thus net interest income went down by **4.4%** QoQ to **RUB 2.2 billion**.

Average assets expansion also contributed to NIM decrease by **36 bps** to **4.0%**.

# Interest rates

## Net interest spread



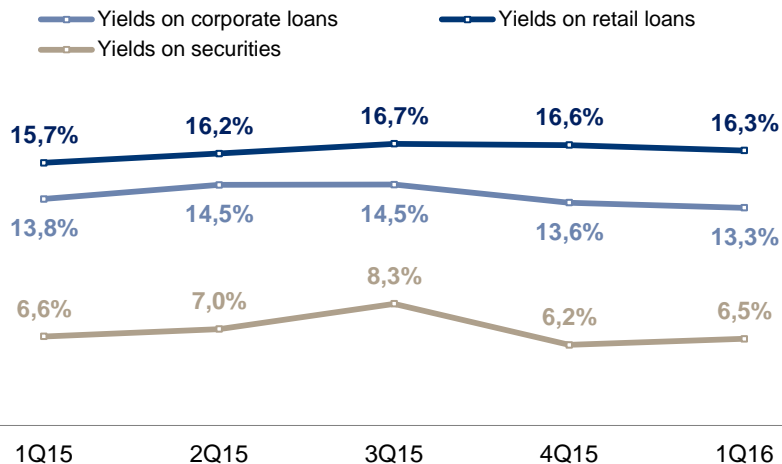
## Key points

Net interest spread squeezed by **53 bps** to **5.9%** due to higher funding costs which were driven by more expensive interbank funding.

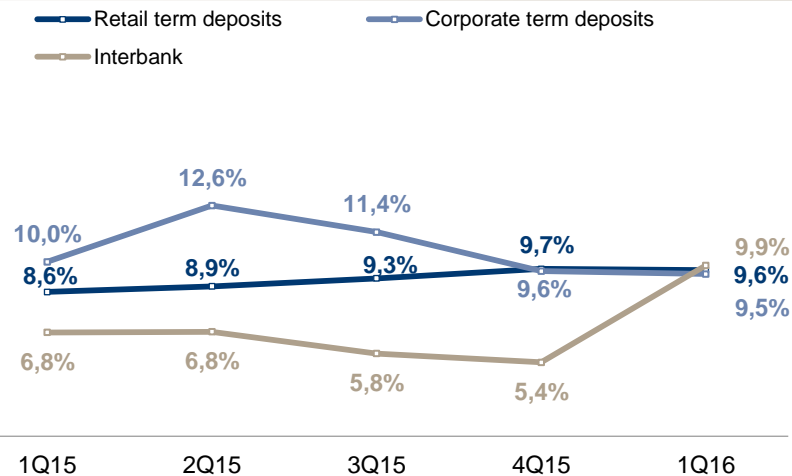
Yields on loans and cost of retail and corporate deposits moderated, reflecting general market trends.

Contraction of effective retail term deposit rates was also restrained by RUB-nominated deposits replacing FX-nominated instruments.

## Yield rates

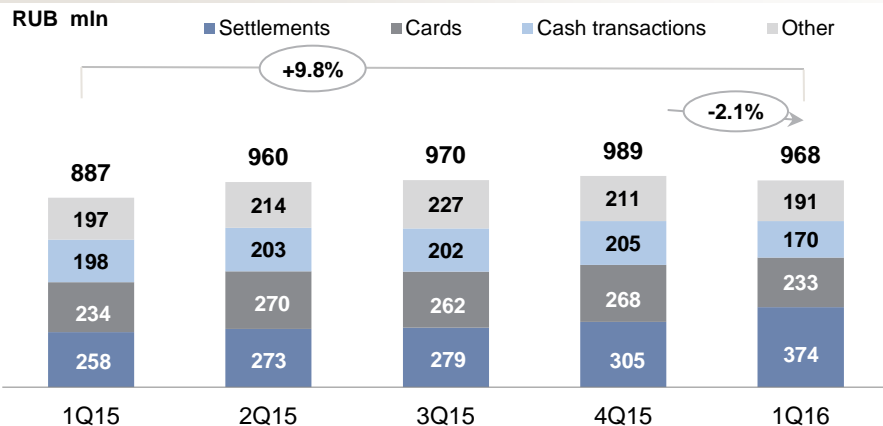


## Funding rates

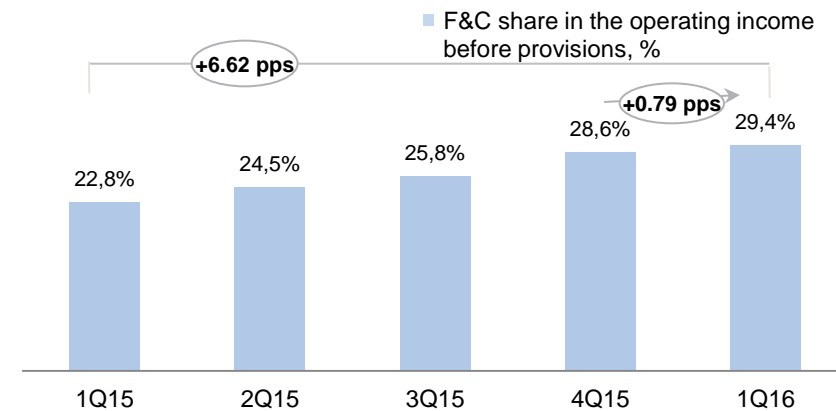


# Fee and commission income

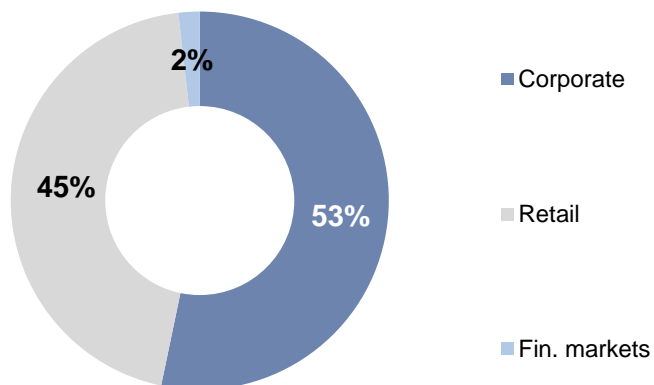
## Net fee and commission income dynamics



## Share of fees & commissions in the operating income



## Non-interest income structure



## Key points

Q1 2016 net fee and commission income decreased by **2.1%** QoQ due to weaker income from cash (-17,1%) and bank cards operations (-13,1%) amid declining average commissions level and tough competition in the segment.

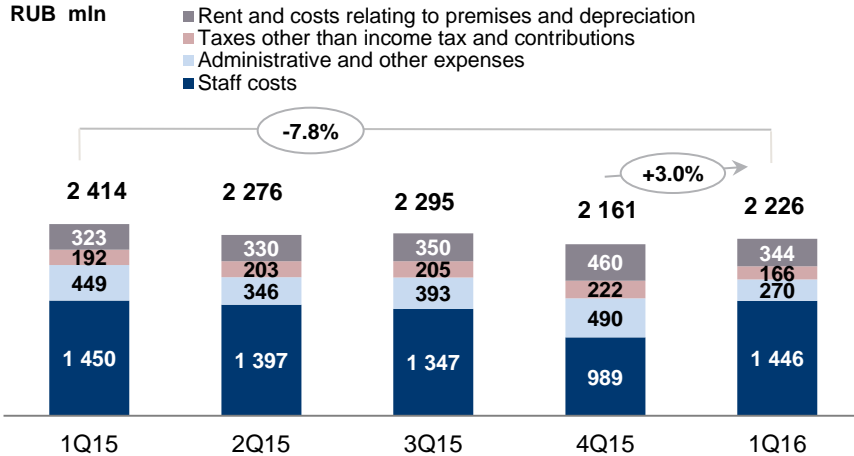
Settlement products that the bank targets to expand delivered **22,6%** growth QoQ.

The share of net fees & commissions in the operating income before provisions continued to expand reaching **29.4%** in 1Q16.

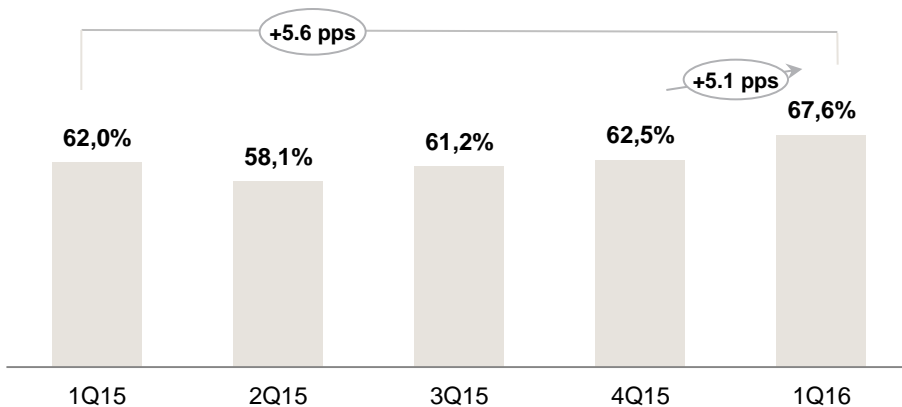


# Operating expenses

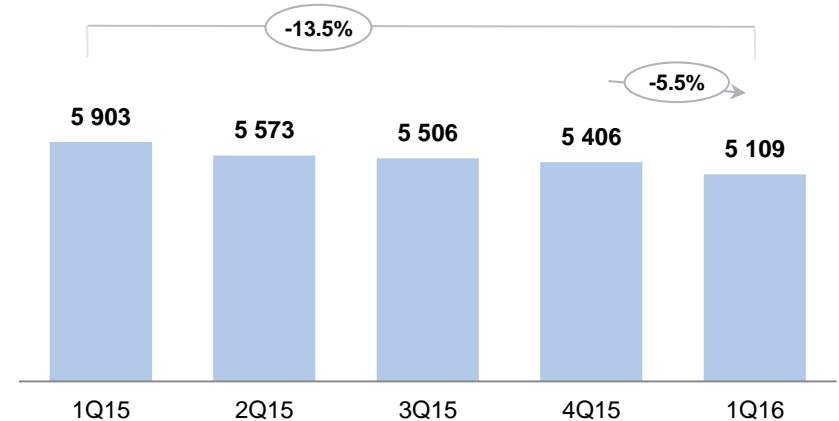
## Operating expenses structure



## Cost-to-income ratio



## Staff number



## Key points

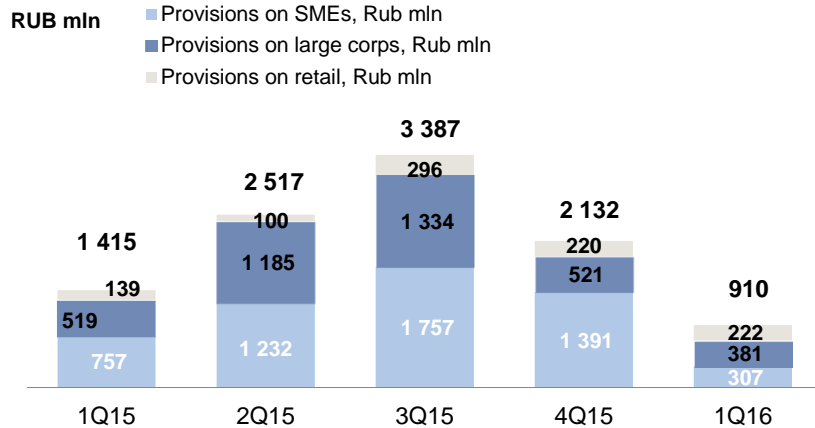
Operating expenses grew by **3%** over the quarter to **RUB 2.2 billion**. 1Q16 personnel expenses returned to the level of **RUB 1.4 billion**. In 4Q15 such low personnel costs were reasoned by a recovery of earlier accrued bonuses as well as by a headcount reduction. 1Q16 results also include severance pays to employees losing their jobs.

Administrative and tax expenses as well as other expenses on premises and equipment moderated after a seasonal spike in the year-end.

1Q16 cost-to-income ratio rose by 5.1% to 67.6% on outpacing decrease of operating income.

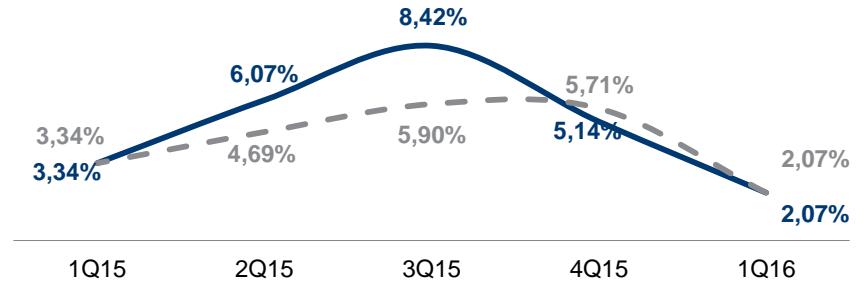
# Charges to provisions

## Charges to loan loss provisions across segments



## Cost of risk

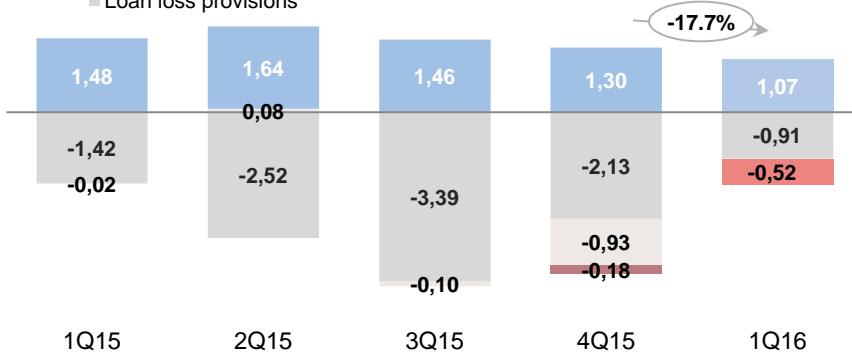
— Charges to provisions to avg gross loans, QoQ  
 - - Charges to provisions to avg gross loans, YtD



## Operating profit and provisions

RUB bln

- Losses on initial recognition of assets/liabilities at rates below market
- Losses from premises revaluation
- Operating profit before provisions
- Provisions on other assets
- Loan loss provisions



## Key points

Cost of risk dropped to **2.1%** over 1Q16 due to a relative stabilisation of the credit quality.

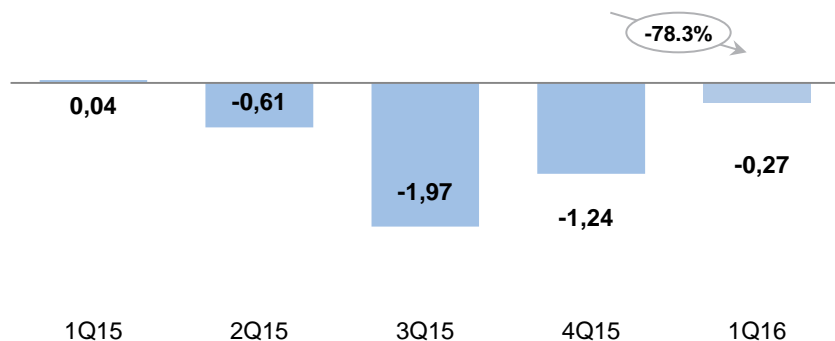
Restructuring of one of the loans led to a loss from initial recognition of assets on rates below market in the amount of **RUB 516 million**.

Operating profit before provisions went down by **17.7% QoQ** pressed by a decrease in net interest income and fees&commissions combined with some growth in operating expenses.

# Net profit (net loss)

## Net profit / net loss

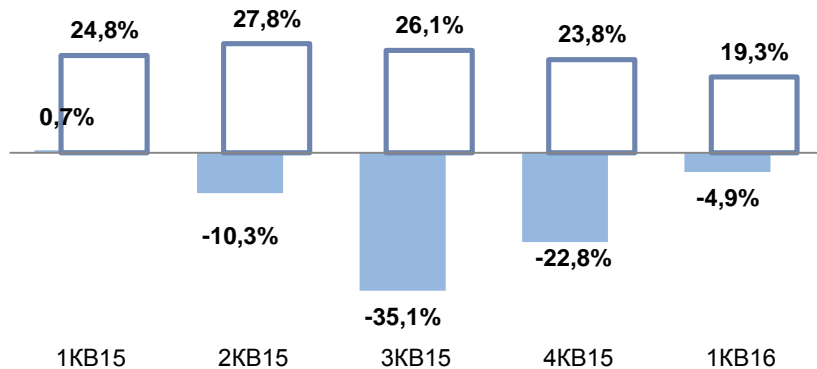
RUB mln



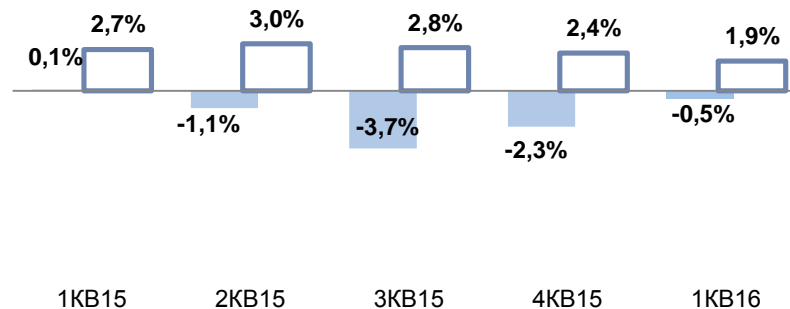
## Key points

In 1Q16 the bank managed to reduce the level of losses to **RUB 0.27 billion** comparing to 1Q15 net loss of **RUB 1.24 billion** (1Q15 net profit **RUB 0.04 billion**). Quarterly improvement was reasoned by a lower charges to provisions.

## ROE



## ROA



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# Key takeaways

- **Loan portfolio growth in corporate and retail**
- **NIM compression on temporary commitment to more expensive market funding**
- **Provisioning is to remain conservative, though cost of risk moderated**
- **Capital position remains comfortable**



# Questions and answers



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The Bank cautions 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.

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- economic outlook and industry trends;
- the Bank's anticipated capital expenditures and plans relating to expansion of the Bank's network and development of the new services;
- the Bank's expectations as to its position on the financial market and plans on development of the market segments within which the Bank operates;
- the Bank's expectations as to regulatory changes and assessment of impact of regulatory initiatives on the Bank's activity.

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