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Standing firm in the volatility ocean



**Conference Call
March 25, 2015**

Key takeaways of 2014

In “perfect storm” in macro...

- RUB **71%** depreciation against USD amid dropping oil price
- Accelerating inflation of **11% YoY**, well above the official guidance
- Hike of the key rate by the Bank of Russia from **10.5%** to **17%** in December driving cross-sector repricing on both loans and deposits and almost freezing new lending

...we choose to focus on maintaining liquidity and capital position...

- Share of liquid assets up to **25%** backed by higher cash and equivalents (**+RUB4.2 bln QoQ**) and securities (**+RUB2.8 bln QoQ**)
- Basel III Total CAR protected at **12%** with threshold of **10%**, Tier 1 CAR – at **9.3%** with threshold of **5%**
- Gross loan portfolio slightly up **1.2%** at **RUB170.1 bln** on evolving credit risks with **8.4%** growth in retail offsetting **1.3%** contraction in corporates
- Customer funds up **7.8%** to **RUB174.2 bln** led by retail deposits with RUB part growth of **6.7% YoY**

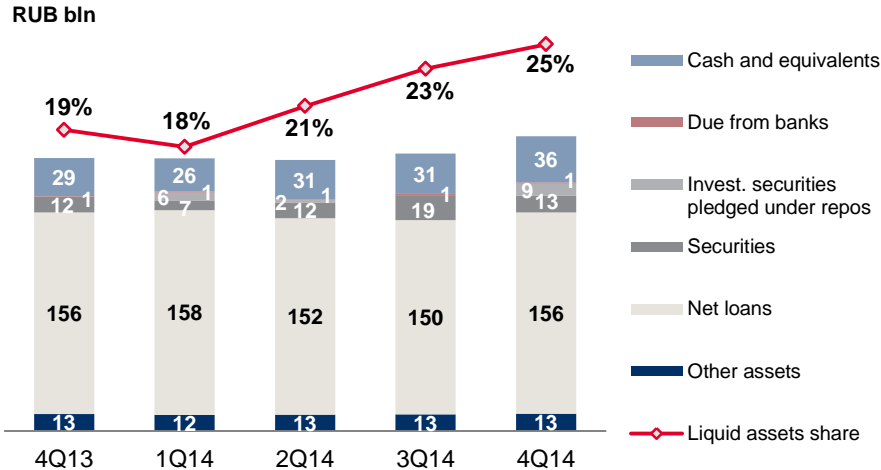
...and protect targeted NIM

- NIM improved to **4.6%** for FY2014, above **4.5%** target
- 2 consecutive quarters of growth in net F&C income (in Q4 it was up **7.7%**) reversed the negative trend (**-12.1% YoY**)
- Operating costs up **6.7% YoY** due to higher personnel and IT expenses on cost optimisation project
- Cost of risk close to estimated stood at **1.9%** for FY2014 versus **2.3%** for FY2013
- Net profit for 2014 was **RUB1.2 bln**, down **19% YoY**

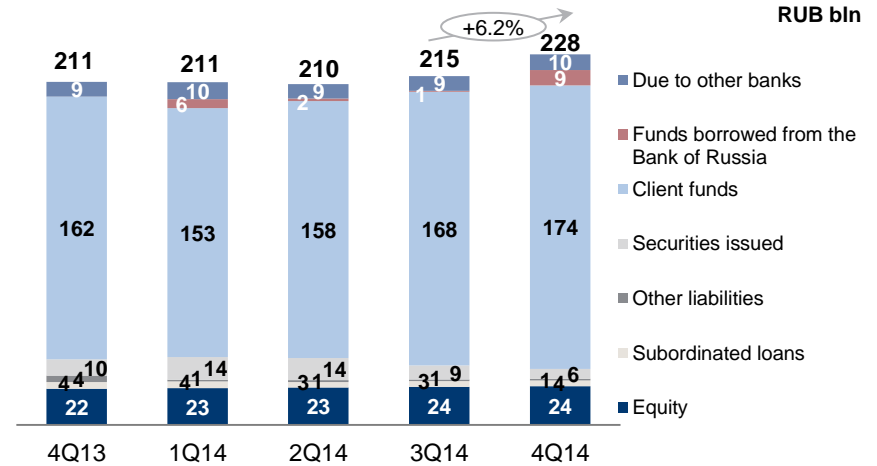


Assets and liabilities

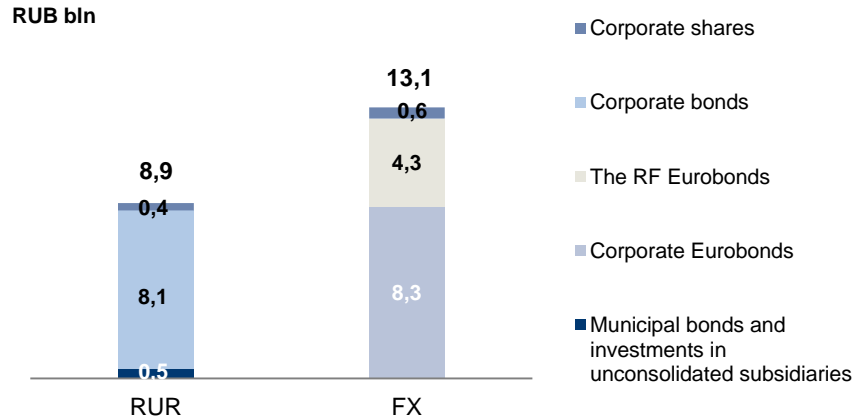
Strengthened liquidity position



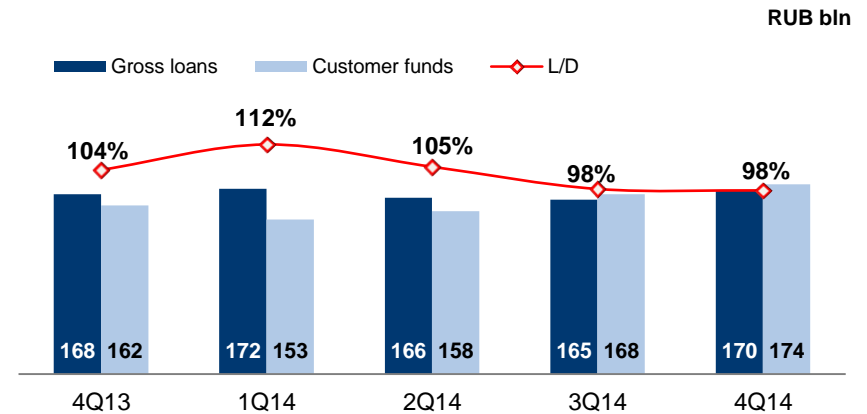
Protective funding structure



High quality securities portfolio with 94.9% of short-term instruments

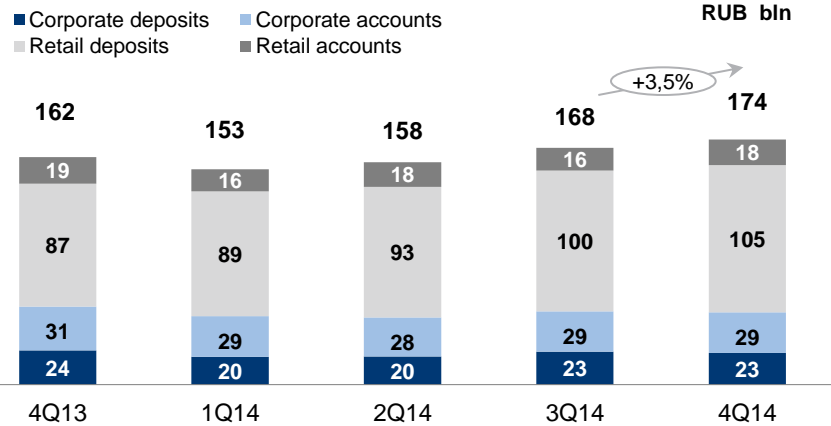


L/D ratio within targeted range

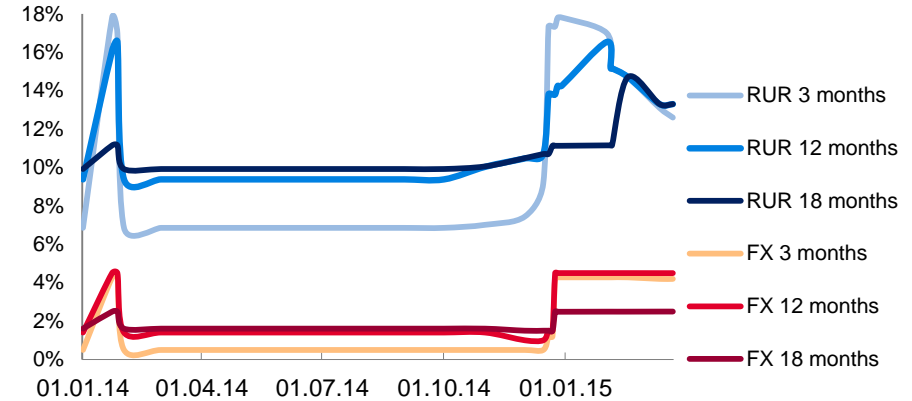


Customer funds

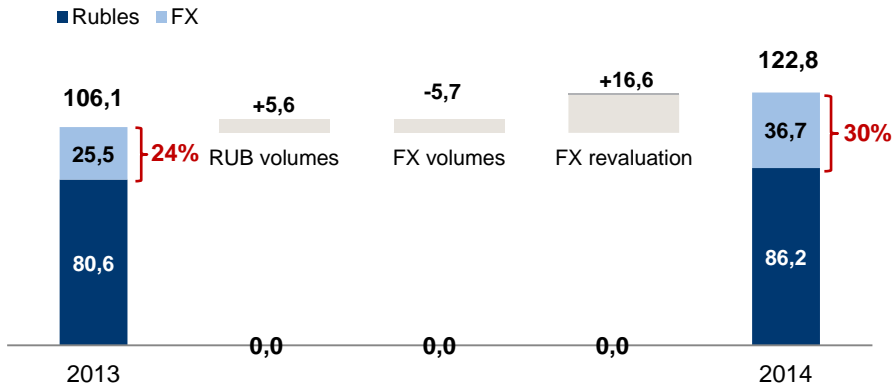
Strong inflow of retail funds



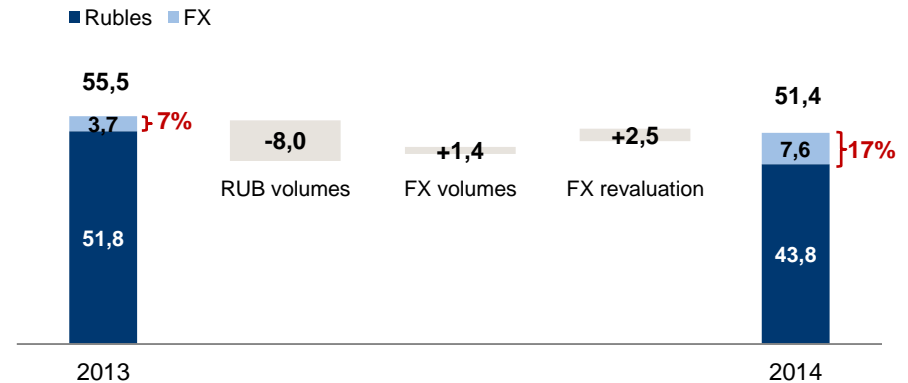
Dynamics of effective rates on retail deposits in 2014



Retail funds dynamics for 2014

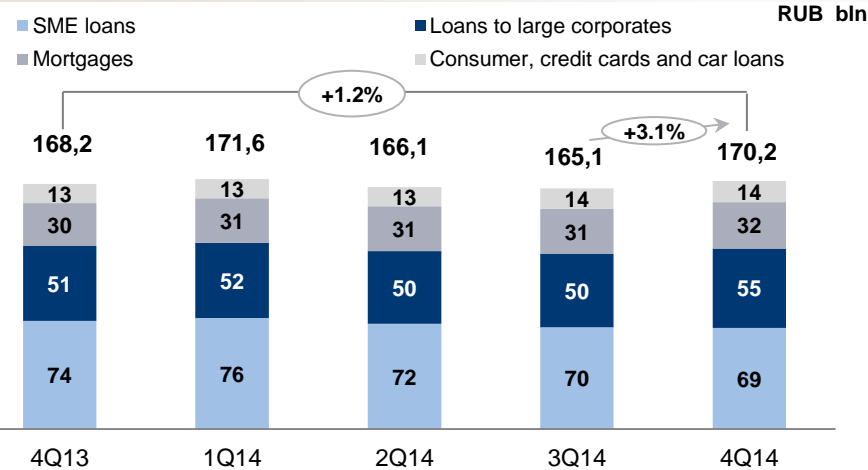


Corporate funds dynamics for 2014



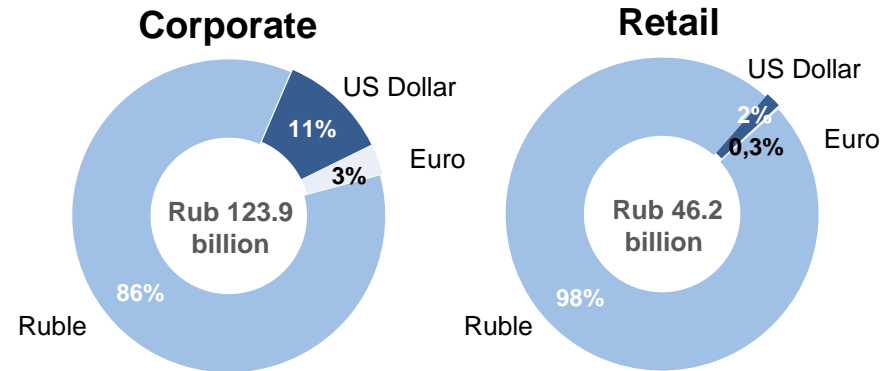
Loan portfolio

Total loans stable YoY with retail offsetting contraction in corporates



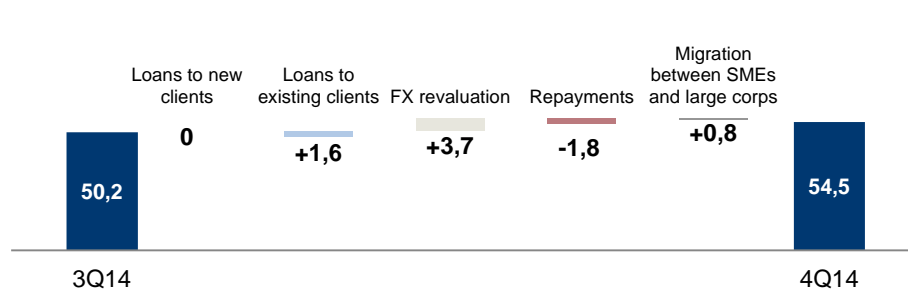
Low share of FX in loan portfolio even after repricing

as of December 31, 2014



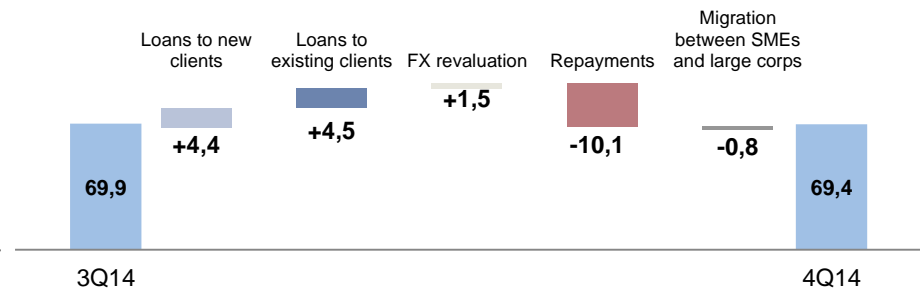
Large corporates grew QoQ mostly due to FX revaluation

RUB bln



SMEs almost flat owing to high portfolio turnover

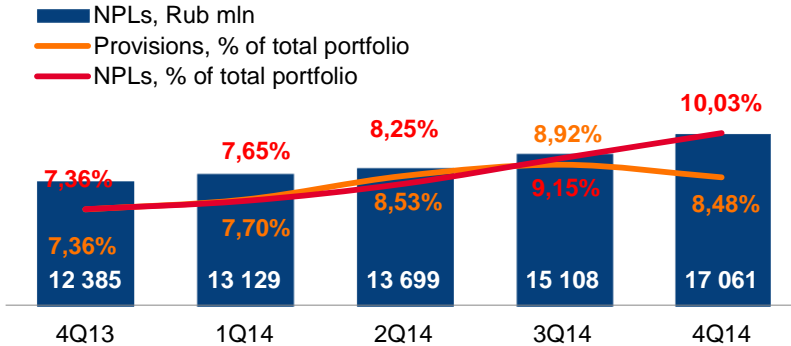
RUB bln



*Loan portfolio before provisions for impairment

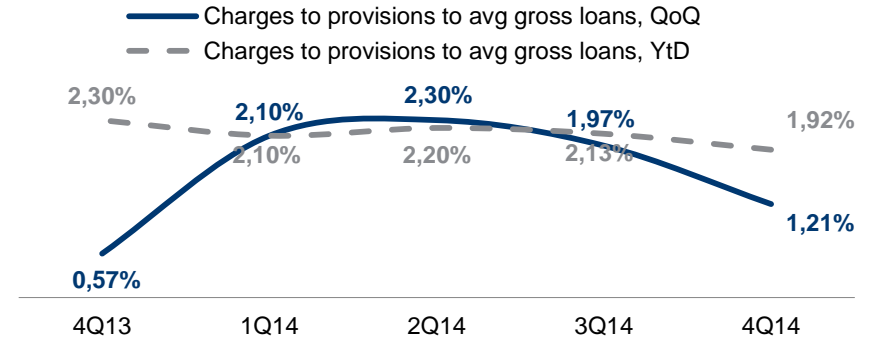
Credit quality management

NPLs dynamics*



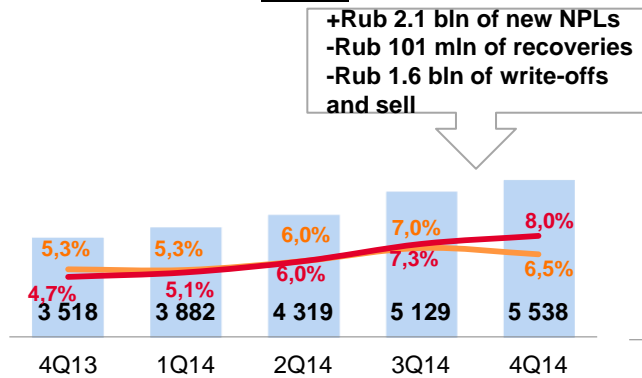
* NPL includes the whole principal of loans at least one day overdue either on principal or interest as well as not overdue loans with signs of impairment

Annualized cost of risk

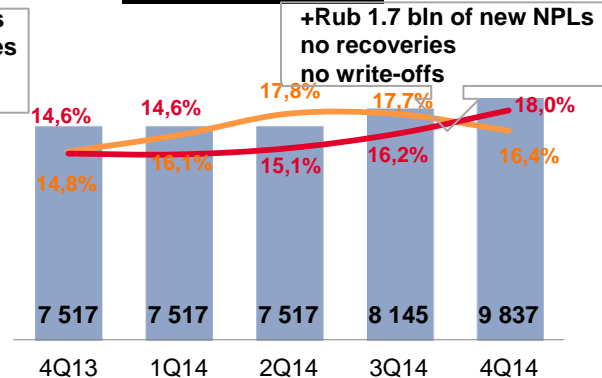


NPLs categorization

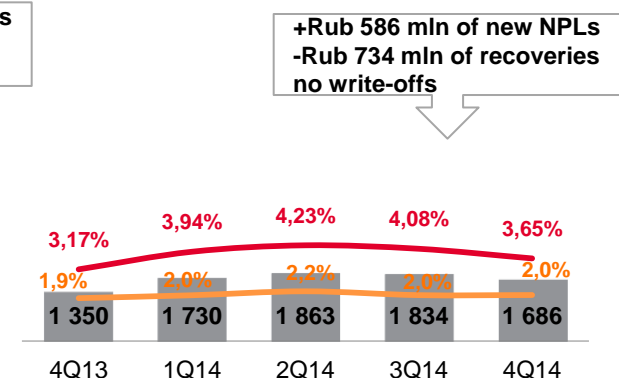
SMEs



Large corporates



Retail



■ NPLs, Rub mln — Provisions, % of total portfolio — NPLs, % of total portfolio

*1.7% of which is overdue less than 30 days

Credit quality

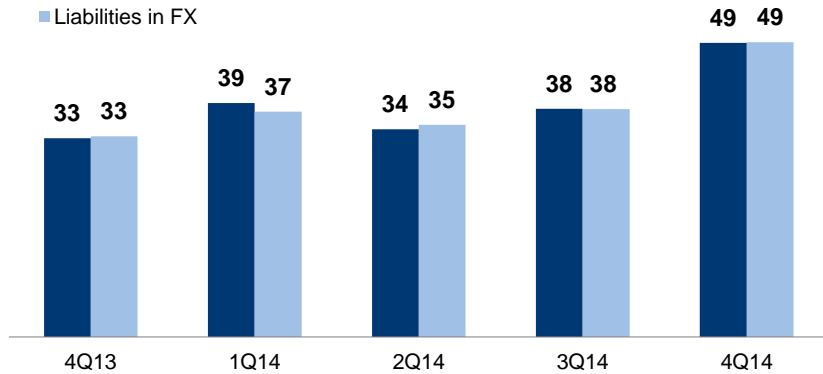
As of December 31, 2014	RUB mln					
	Large corporates	SMEs	Mortgages	Other retail	Total	
Gross loans, including	54,519	69,423	31,870	14,339	170,151	Provisions to NPLs Ratio 84.6%
Current loans	82.0%	92.0%	97.4%	94.1%	90.0%	
Past-due but not impaired, including	1.2%	0.1%	1.8%	1.5%	0.9%	Provisions to 90 days+ NPLs 115.4%
Less than 90 days	-	0.1%	1.8%	1.5%	0.5%	
Over 90 days	1.2%	-	-	-	0.4%	
Impaired, including	16.9%	7.9%	0.8%	4.4%	9.2%	
Less than 90 days	3.1%	2.8%	0.06%	0.5%	2.2%	Rescheduled Loans 5.5%
Over 90 days	13.8%	5.1%	0.77%	3.9%	7.0%	
Total NPLs	18.0%	8.0%	2.6%	5.9%	10.0%	
Provisions	-16.4%	-6.5%	-1.0%	-4.2%	-8.5%	
Net Loans	45,555	64,894	31,540	13,730	155,719	

NPL - the whole amount of loans with principal overdue for more than 1 day as well as loans with any delay in interest payments.

Risk management and capital position

FX position

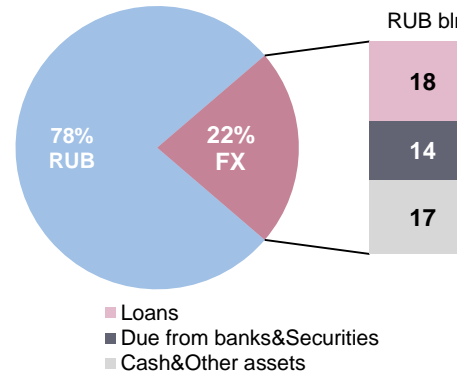
■ Assets in FX
■ Liabilities in FX



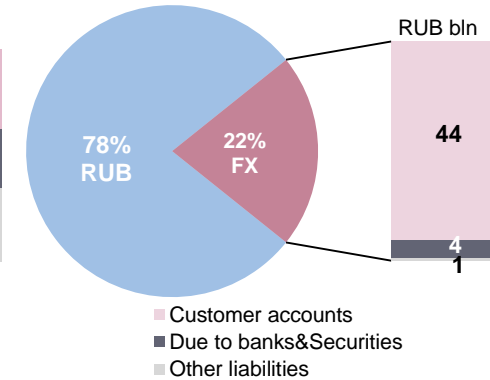
FX structure

as of December 31, 2014

Assets

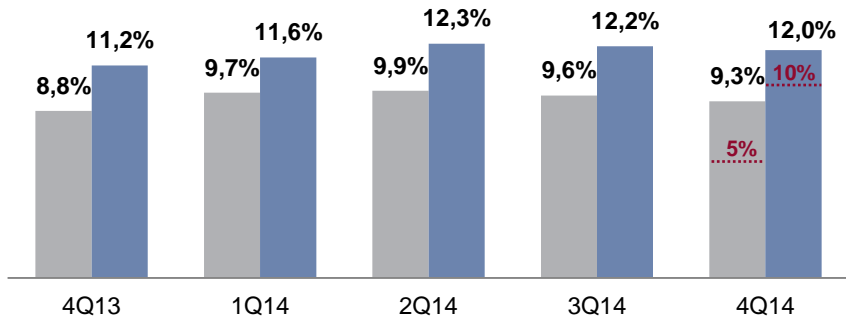


Liabilities



Capital adequacy under Basel III

■ Tier 1
■ Tier 1 + Tier 2
..... Minimum requirements set by the Bank of Russia



Key points

- Net FX position close to 0

- The bank allocates FX raised on deposits into loans to large export companies, and high quality securities that supports margins while remaining overliquid on FX

- CAR stands at 12% with high share of base capital. As the share of FX was relatively low, we didn't use options offered by the CBR to exclude the effect of repricing and account FX RWA as of October 1, 2014

Financial highlights

RUB mln

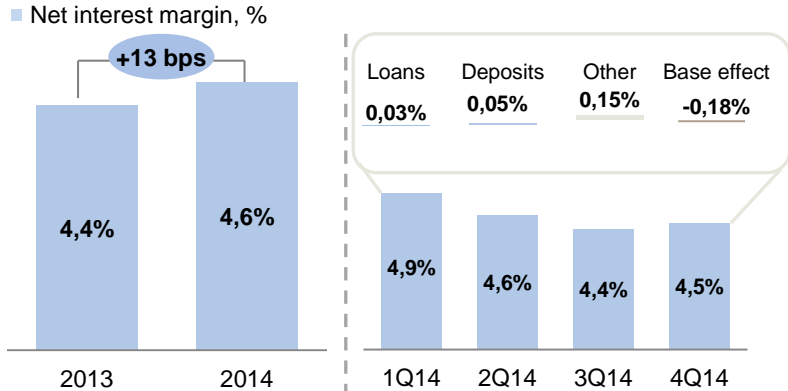
As of December 31, 2014	4Q14	3Q14	QoQ	2014	2013	YoY
Interest income	5,182	5,061	+2.4%	20,255	19,018	+6.5%
Interest expense	(2,715)	(2,728)	-0.5%	(10,469)	(9,532)	+9.8%
Fee and commission income	1,292	1,178	+9.7%	4,720	5,172	-8.7%
Fee and commission expense	(218)	(181)	+20.4%	(756)	(663)	+14.0%
Other operating income	75	146	-48.6%	629	652	-3.5%
Total operating income b.p.	3,616	3,476	+4.0%	14,379	14,647	-1.8%
Operating expenses	(2,820)	(2,179)	+29.4%	(9,364)	(8,777)	+6.7%
Provisions for loan impairment	(509)	(817)	-37.7%	(3,129)	(3,839)	-16.9%
Provisions for impairment of other assets	(257)	(18)	X14.3	(238)	(147)	+61.9%
Provisions for credit related commitments	(92)	-	-	(92)	-	-
Taxation	36	(91)	-	(289)	(392)	-26.3%
Net profit	(26)	371	-	1,204	1,492	-19.3%



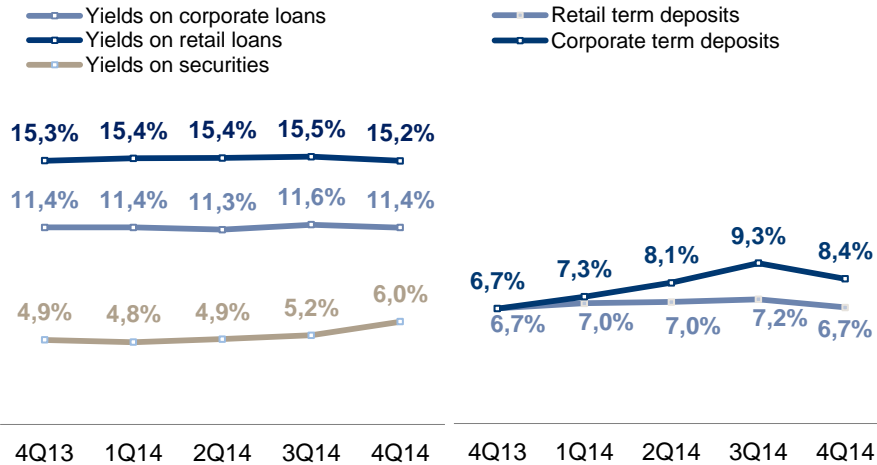
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FY 2014 NIM above guidance

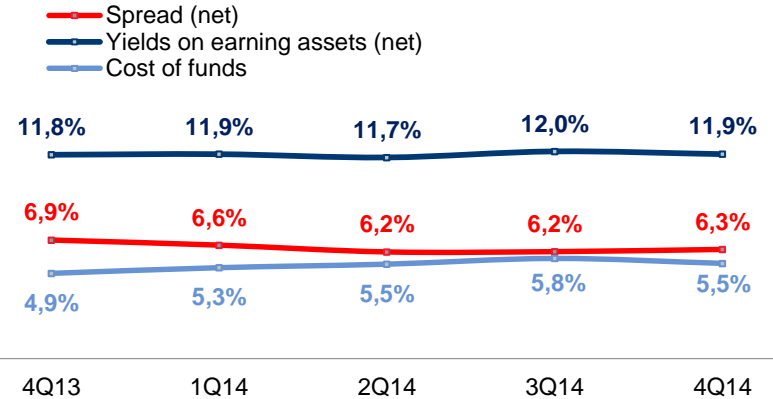
NIM for 2014 protected above 4.5% guidance



Higher deposits costs supported by enhanced yields on securities...



Solid net interest spread

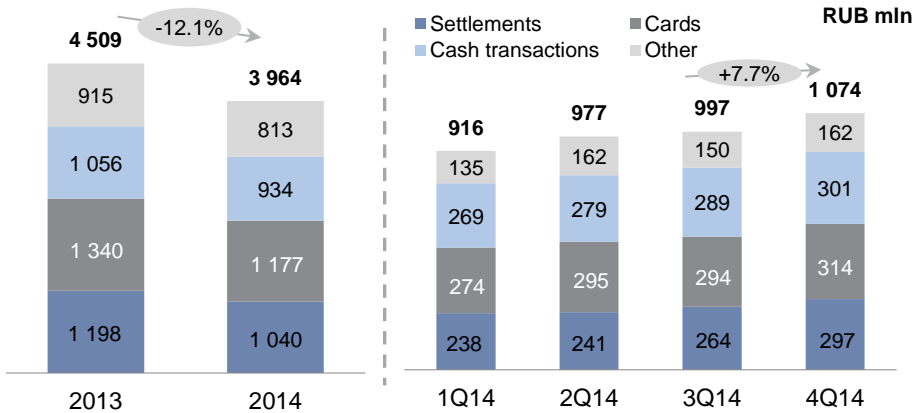


Effective rates on key instruments as of YE up in 2014

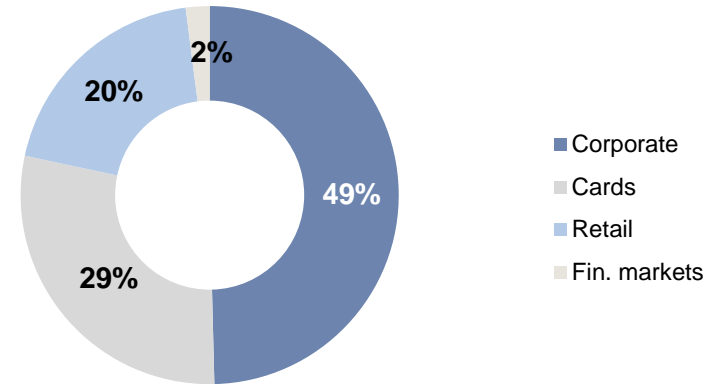
	2014		2013	
	RUB	USD / EUR	RUB	USD / EUR
Corporate loans	14%	7% / 6%	12%	7% / 7%
Retail loans	15%	11% / 12%	15%	12% / 13%
Trading securities	13%	5% / 6%	7%	1% / 1%
Investment securities	13%	8% / -	6%	-
Corporate deposits	13%	5% / 1%	8%	5% / 2%
Retail deposits	11%	5% / 4%	9%	5% / 4%

F&C income recovering on active sales to new clients

After trough in Q1, fee income trend reversed to positive



Segment structure of non-interest income in 2014

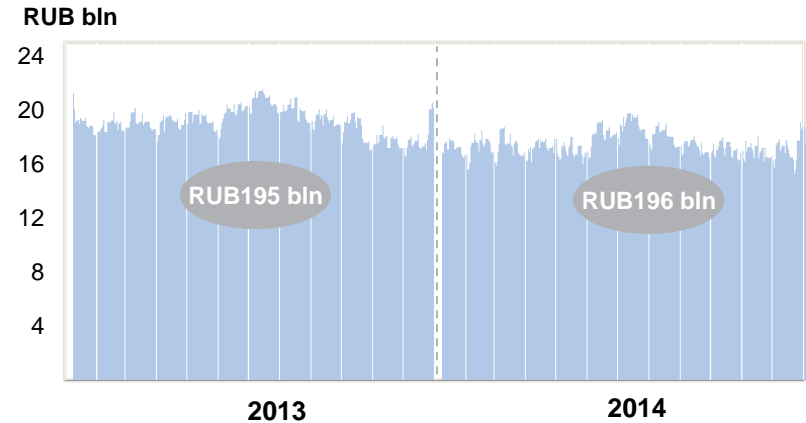


Cross-sales drive growth in corporate...

In number of products per client

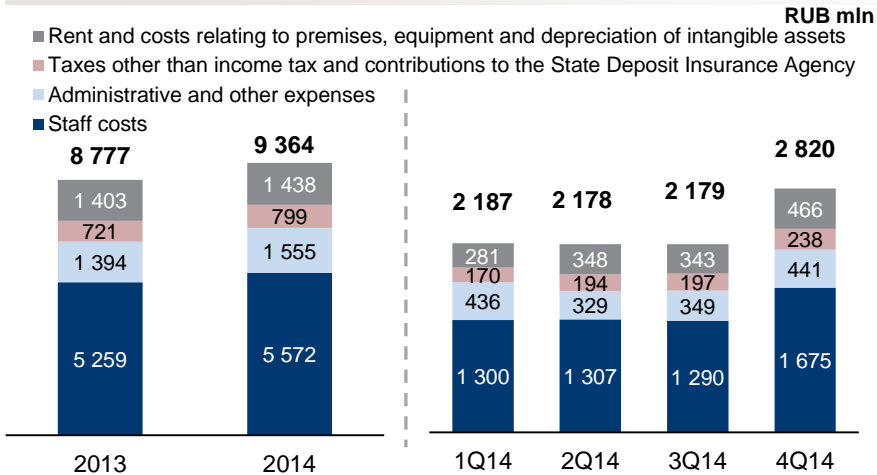
Period	Large business	Medium business	Small business	Micro business	Insignificant business
2014	3.88	3.83	3.28	2.86	1.84
2013	3.86	3.65	3.25	2.84	1.83

...and seasonally higher turnover on client accounts – in retail

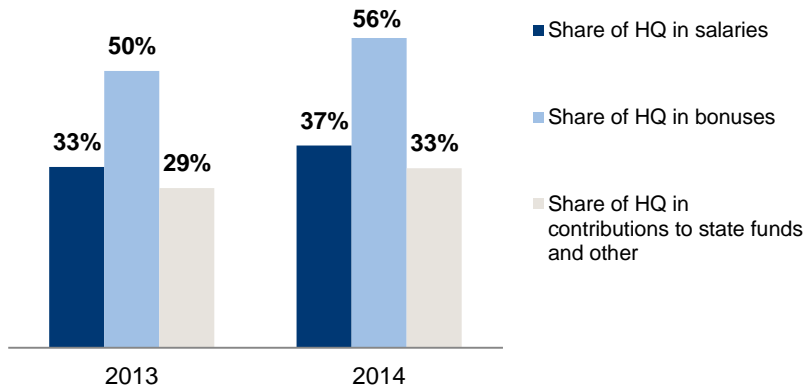


Seasonally higher costs with investments in optimisation

Operating costs structure

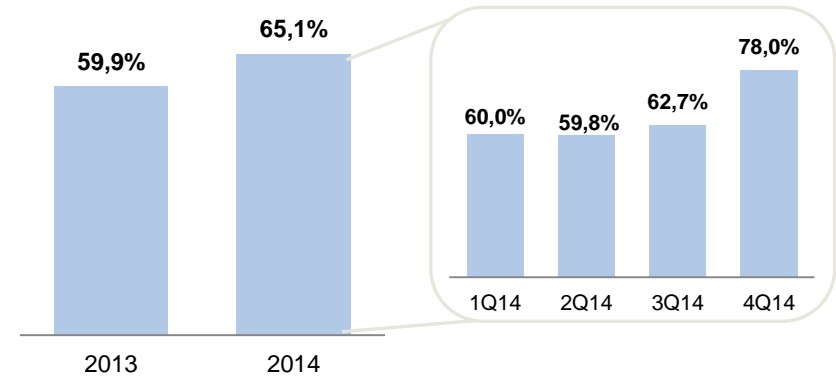


Share of Head Office in personnel costs is growing



C/I

Cost-to-Income before provisions, %



Key points

- Operating costs increased by 6.7% driven by personnel and investments in IT and infrastructure on the back of operating model optimisation project
- Staff costs are up YoY on attracting new people to the HQ for the project, while in the branches salaries were flat
- Growth in Q4 due to seasonal effect of deferred costs on bonuses and costs relating to premises and equipment according to contractual terms

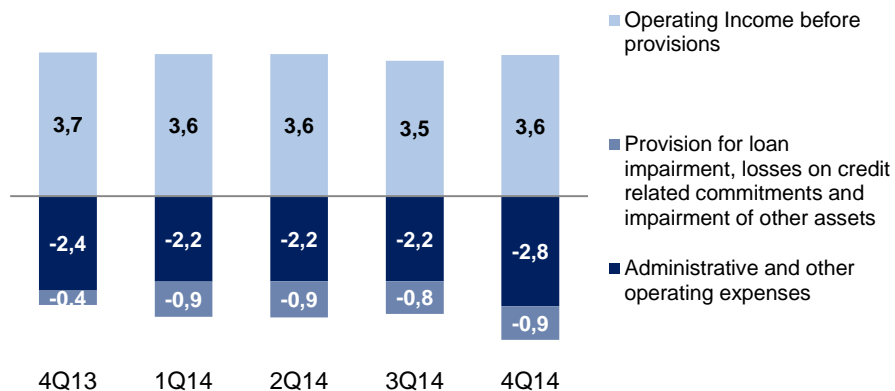


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Higher costs offset revenues stability

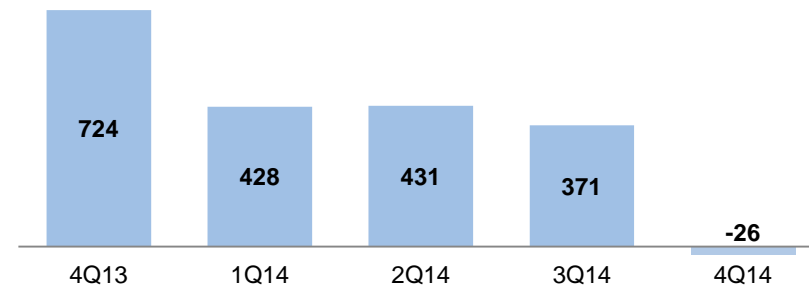
Solid operating income offset by widened expenses

RUB bln



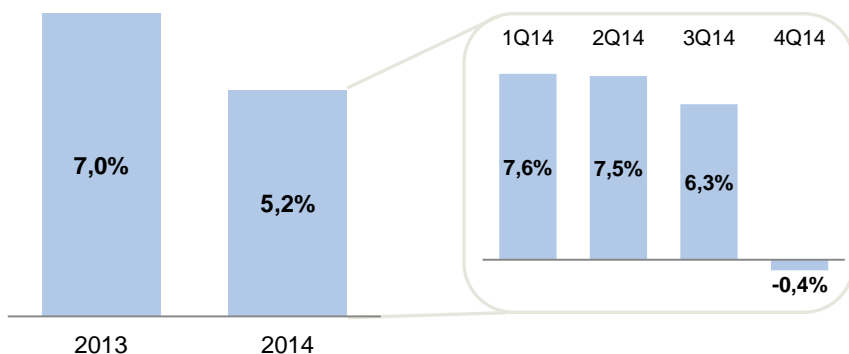
Net profit

RUB mln



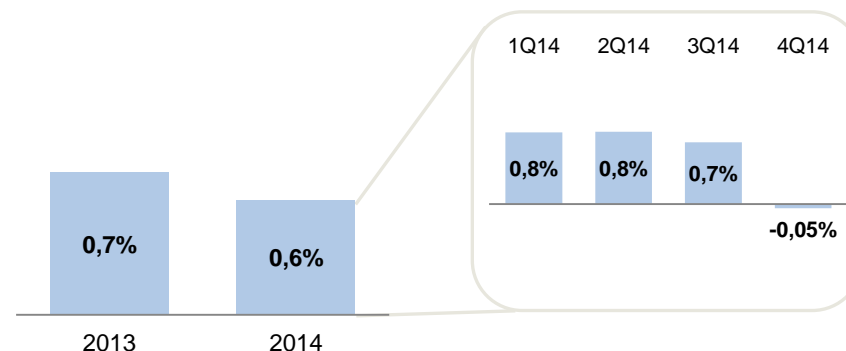
Return on equity

ROE, %



Return on assets

ROA, %



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;
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- risks related to Russian legislation, regulation and taxation;
- risks relating to the Bank's activity, including the achievement of the anticipated results, levels of profitability and growth, ability to create and meet demand for the Bank's services including their promotion, and the ability of the Bank to remain competitive.

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