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THE BANK THAT IS ALWAYS WITH YOU

9M 2014 IFRS Results

Well-positioned for uncertain economic path



Conference Call
November 25, 2014

Key takeaways of Q3

In vulnerable macro environment...

- RUB **17%** depreciation against USD amid dropping oil price by **16%**, but federal budget remained sustainable
- Investments shrank by **2.8% YoY**. Retail sales, key driver of growth in the previous years, expanded by only **1.7% YoY**
- Accelerating inflation of **8.1% YoY**, well above the official guidance
- Geopolitical tensions persist aggravated by sanctions

...we maintain reliable balance sheet and limit credit growth...

- Corporate loans declined by **1.6% to Rub 120.1 bln**, retail remains the key driver with **2.1% increase to Rub 45 bln**
- Liquid assets grew to **23%** of the book, share of IEA was stable at **79%** due to securities pick up to **RUB 19.3 bln**
- Strong inflow of customer funds well above the sector continued both in retail **(+5.4% vs 2.5% for the sector QoQ)** and corporates **(+8.8% vs 4.4% for the sector QoQ)**
- CAR of **12.2%** and Tier 1 Capital Adequacy of **9.6%** well above regulatory norms

...while supporting targeted NIM and restraining costs

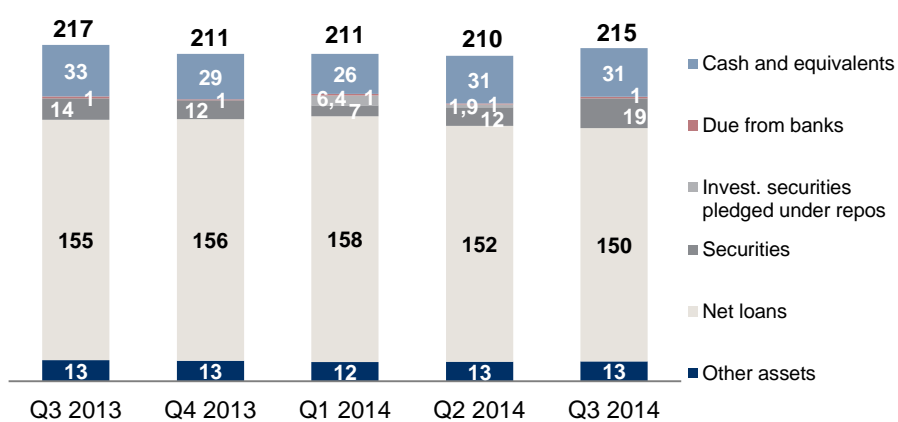
- NIM for 9M'14 maintained above target at **4.6%** despite NII drop by **2.6% to RUB 2.3 bln** on outpacing deposit growth and lower-yielding asset mix
- Fees up **2% QoQ to RUB 997 mln** on new products for corporates and SME, while still below previous-year level
- Costs under control – **RUB 2.2 bln** flat across all 3 quarters of 2014
- Provisions slightly down to **RUB 817 mln**, but still conservative with CoR of **2%** in Q3
- Net profit of **RUB 1.2 bln for 9M'14** was up **60%** YoY, but quarterly declined by **13.9%**



Assets and liabilities

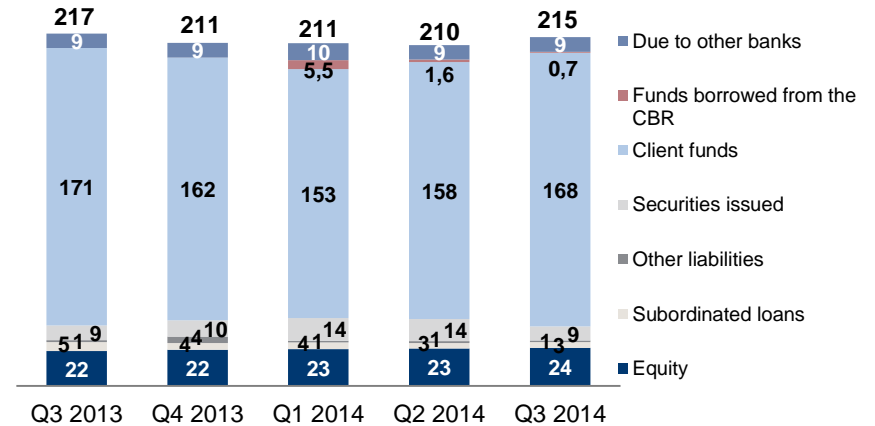
Share of liquid assets has grown to 23%

RUB bln



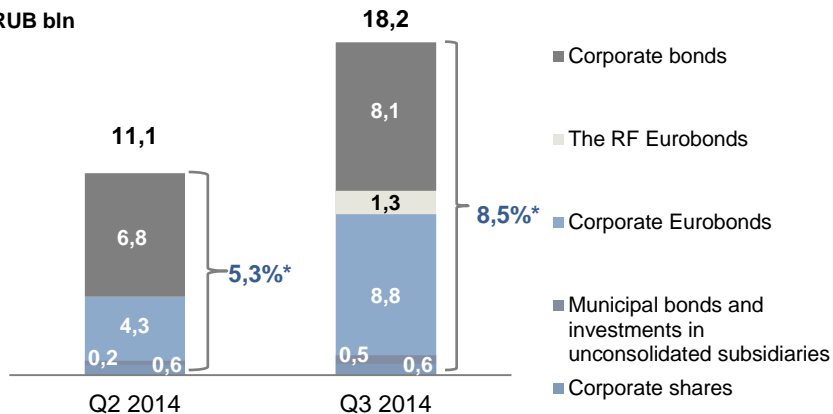
Protective funding structure

RUB bln



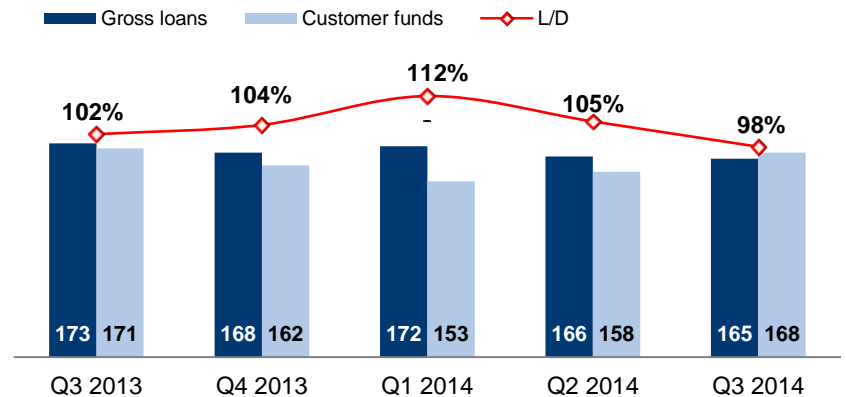
Securities portfolio went up to support IEA

RUB bln



*Share in total assets

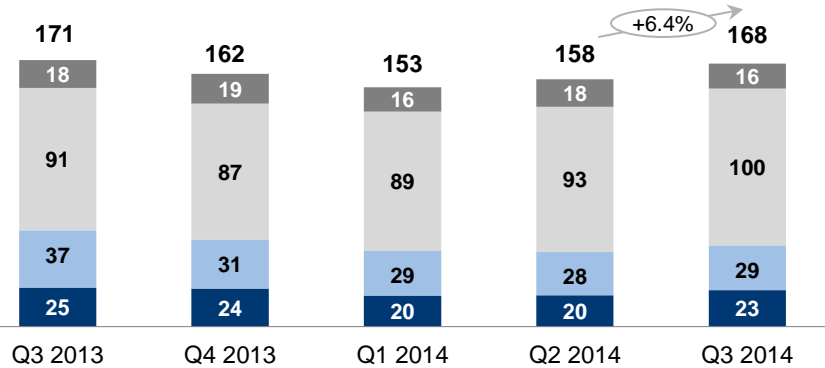
L/D ratio down to targeted range



Customer funds

Strong inflow of retail funds

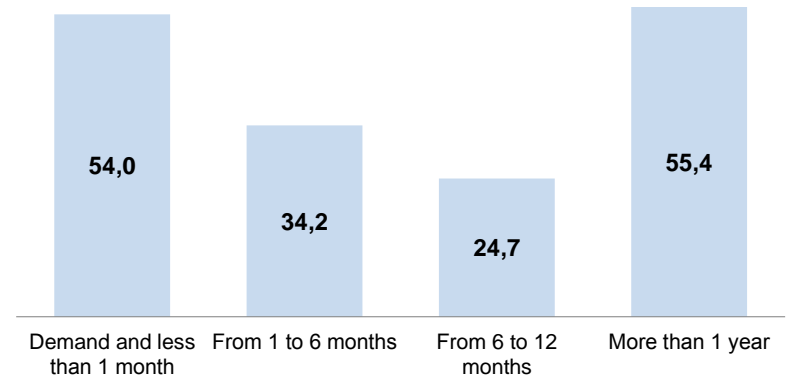
■ Corporate deposits ■ Corporate accounts
■ Retail deposits ■ Retail accounts



Customer funds maturity breakdown

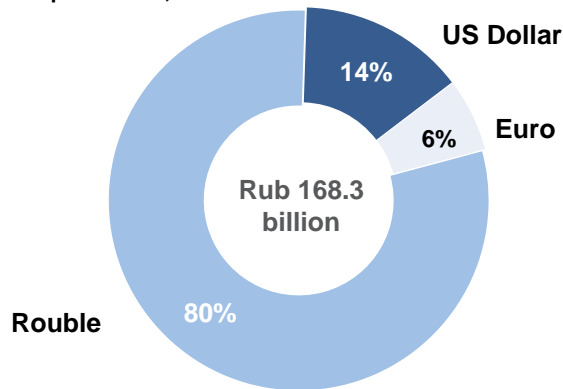
RUB bln

as of September 30, 2014



FX structure of customer funds

as of September 30, 2014



Key points

- Retail funds were up by **5.4% QoQ** (**2.9 pps above the sector**, in accordance with the CBR data) on the back of entrenched clients' trust with strong demand for both RUB and FX
- Corporate funds climbed by **8.8% QoQ** (**2.3 pps above the sector**, in accordance with the CBR data) – in green for the first time since July'2013
- Reliable funding structure with **32%** of client funds with maturity more than 1 year



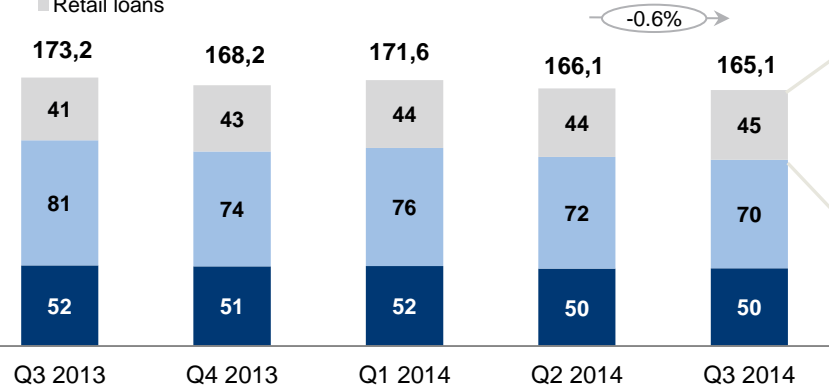
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Loan portfolio

Total loans stable...

- Loans to large corporates
- SME loans
- Retail loans

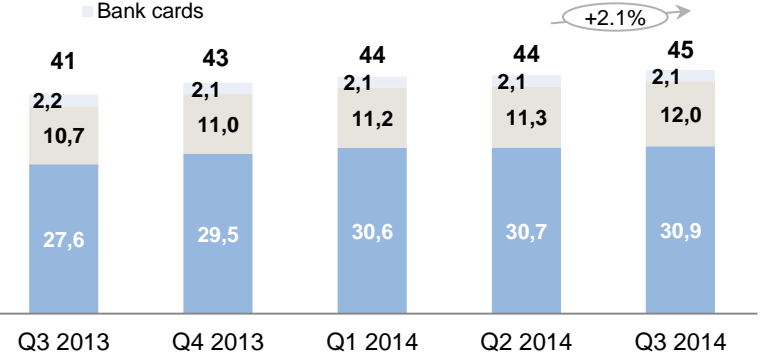
RUB bln



... with growth on the retail side

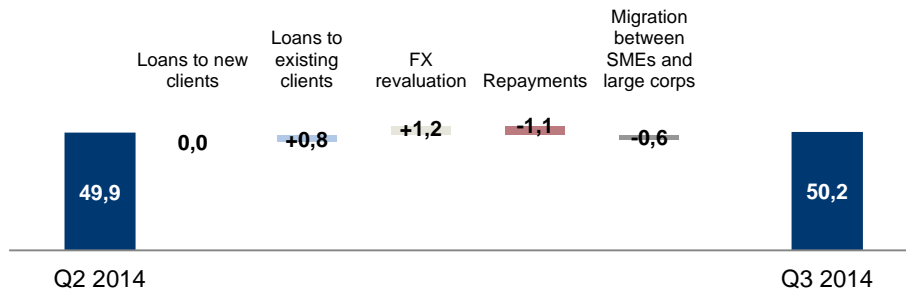
RUB bln

- Mortgages
- Consumer loans
- Bank cards



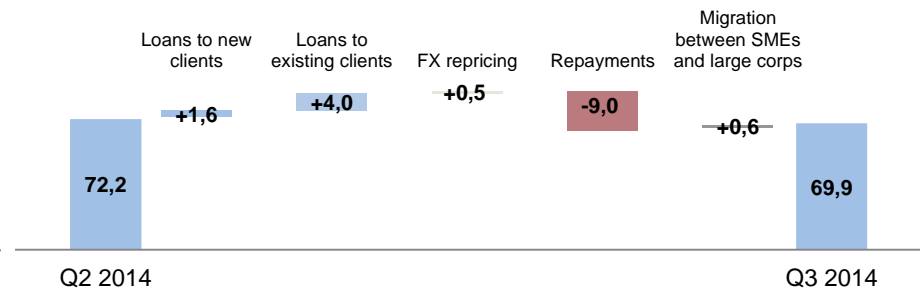
Large corporates grew mostly due to FX revaluation

RUB bln



SMEs down owing to high portfolio turnover

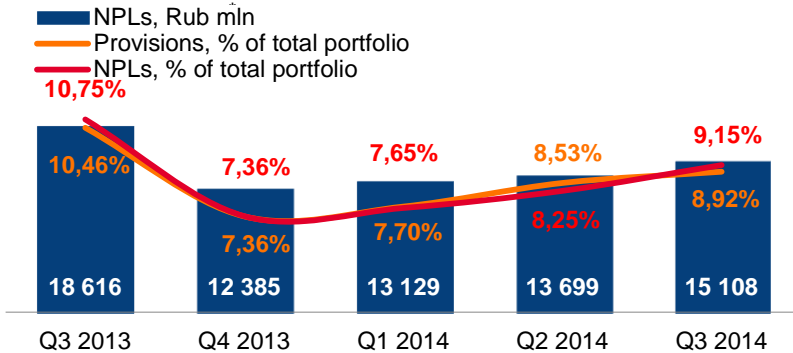
RUB bln



*Loan portfolio before provisions for impairment

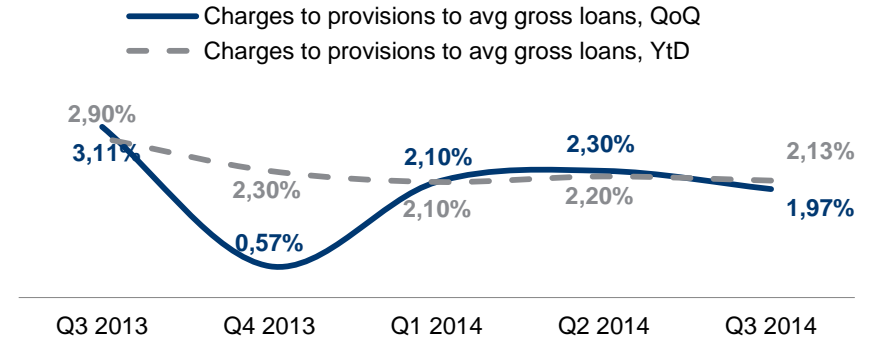
Credit quality management

NPLs dynamics*



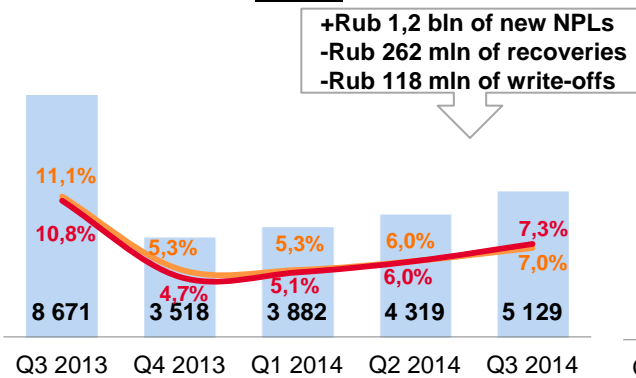
* NPL includes the whole principal of loans at least one day overdue either on principal or interest as well as not overdue loans with signs of impairment

Annualized cost of risk

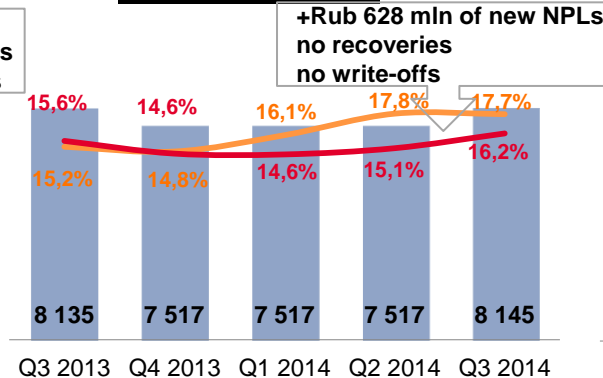


NPLs categorization

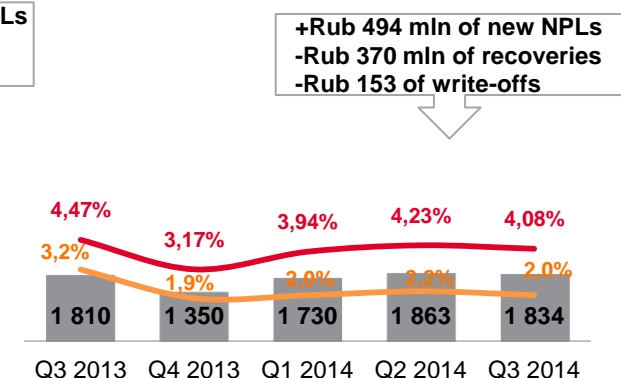
SMEs



Large corporates



Retail



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

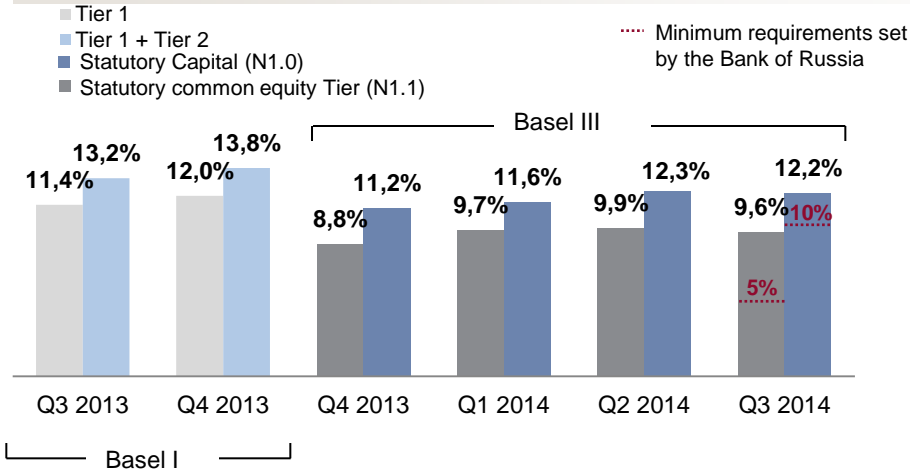
Credit quality

As of September 30, 2014	RUB mln					
	Large corporates	SMEs	Mortgages	Other retail	Total	
Gross loans, including	50,196	69,884	30,925	14,071	165,076	Provisions to NPLs Ratio
Current loans	83.8%	92.7%	97.0%	93.5%	90.8%	97.5%
Past-due but not impaired, including	1.3%	-	2.5%	2.6%	1.1%	
Less than 90 days	1.3%	-	2.3%	2.5%	1.0%	
Over 90 days	-	-	0.2%	0.1%	0.1%	
Impaired, including	15.0%	7.3%	0.5%	3.9%	8.1%	Provisions to 90 days+ NPLs
Less than 90 days	-	0.8%	-	0.5%	0.4%	115.6%
Over 90 days	15.0%	6.5%	0.5%	3.4%	7.7%	
Total NPLs	16.2%	7.3%	3.0%	6.5%	9.2%	
Provisions	-17.7%	-7.0%	-1.1%	-4.0%	-8.9%	Rescheduled Loans
Net Loans	41,290	64,977	30,573	13,511	150,351	6.9%

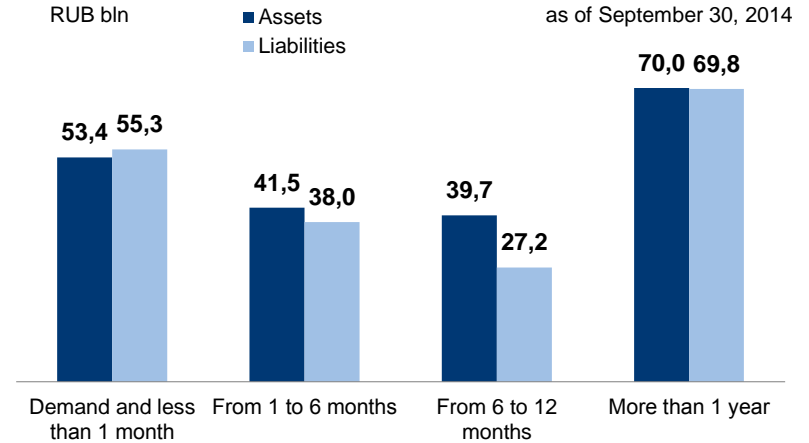
NPL - the whole amount of loans with principal overdue for more than 1 day as well as loans with any delay in interest payments.

Risk management and capital position

Capital adequacy



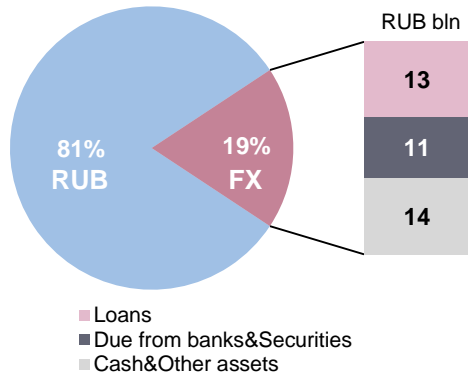
Balance sheet maturity breakdown



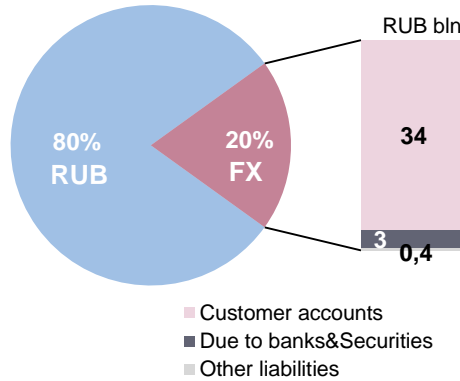
FX structure

Assets

as of September 30, 2014



Liabilities



Key points

- Share of Tier-1 capital in total capital reached **79%** as of the quarter-end versus **74%** across the sector
- Maturity gap doesn't exceed **6%** of the assets
- Balanced FX structure with high level of FX liquidity restrains currency risk, though demand for FX deposits remains strong

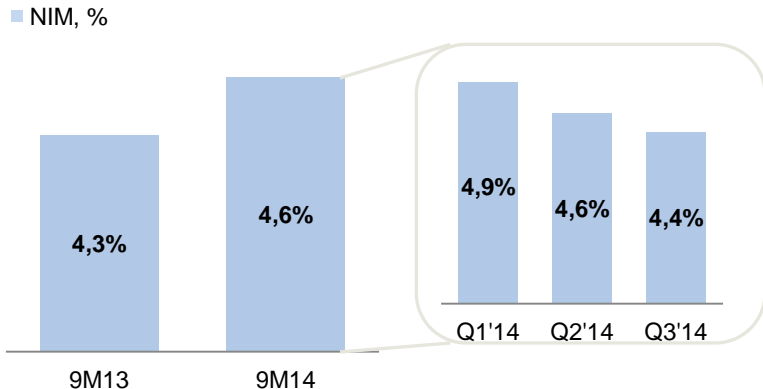
Financial highlights

RUB mln

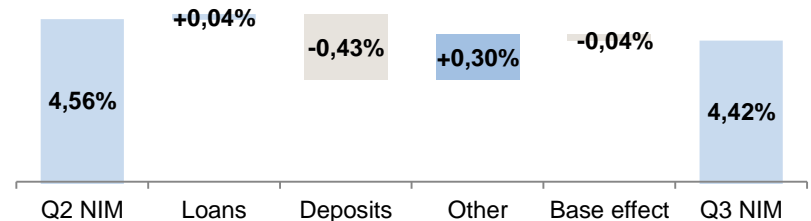
As of September 30, 2014	3Q14	2Q14	QoQ	9M14	9M13	YoY
Interest income	5,061	4,949	+2.3%	15,073	14,013	+7.6%
Interest expense	(2,728)	(2,554)	+6.8%	(7,754)	(7,173)	+8.1%
Fee and commission income	1,178	1,149	+2.5%	3,428	4,024	-14.8%
Fee and commission expense	(181)	(172)	+5.2%	(538)	(455)	+18.2%
Other operating income	146	270	-45.9%	554	556	-0.4%
Total operating income b.p.	3,476	3,642	-4.6%	10,763	10,965	-1.8%
Operating expenses	(2,179)	(2,178)	+0.05%	(6,544)	(6,360)	+2.9%
Provisions for loan impairment	(817)	(973)	-16.0%	(2,683)	(3,595)	-25.4%
Provisions for impairment of other assets	(18)	46	-	19	(26)	-
Taxation	(91)	(106)	-14.2%	(325)	(216)	+50.5%
Net profit	371	431	-13.9%	1,230	768	+60.2%

Lower NIM, but spread maintained

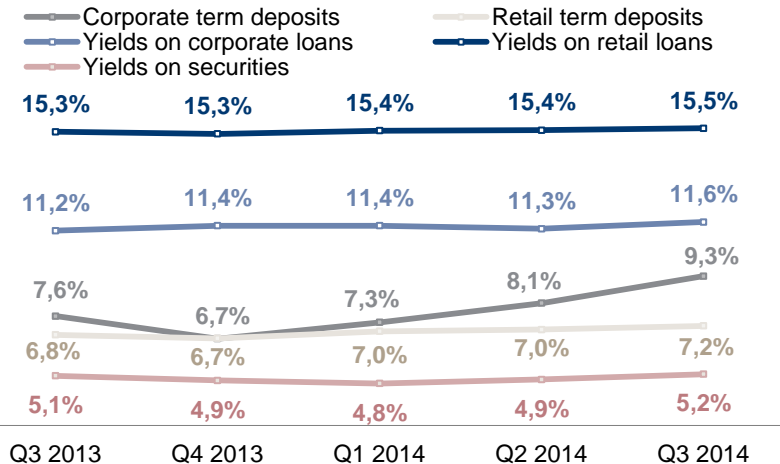
NIM for 9M protected above 4.5% guidance...



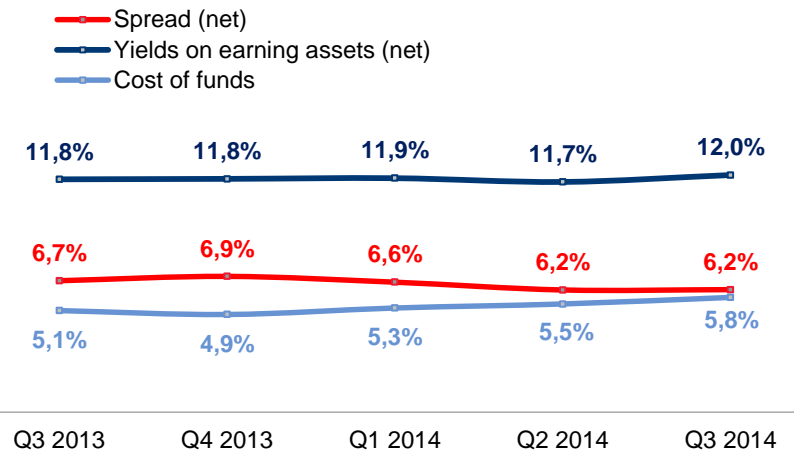
...with pressure coming from customer funds expansion in Q3



Deposit costs up, but higher yields on loans and bonds...



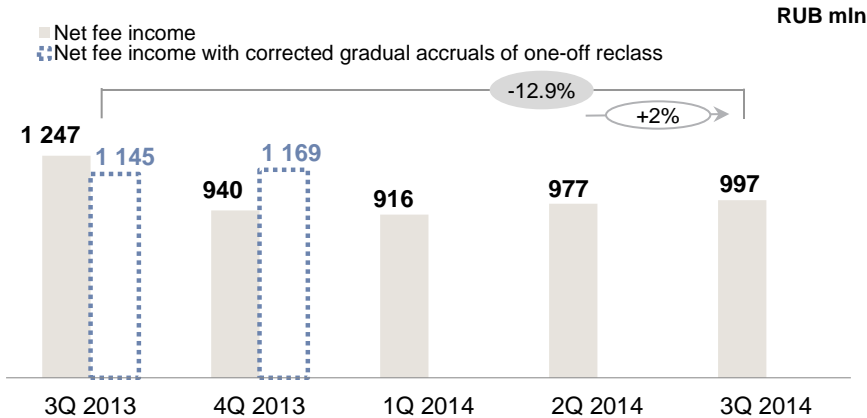
...supported net interest spread



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F&C income recovering on active sales to new clients

After trough in Q1, fee income trend reversed to positive



Reasons behind YoY decline of fee income

- Toughening of competition on fee-generating products and lower tariffs across the market
- International payment systems raised commissions for banks diminishing profit on card business
- Subdued business activity and clients' revenues stagnation
- Replacement of a number of large clients leaving the bank in 2013 by targeted SMEs requires some time

Initiatives on customer acquisition

- ✓ First in Russia to introduce mobile app for cash collection that significantly simplify the process for the clients and helps to gain new customers via centralised planning and requests processing. Launched in Moscow Region in October

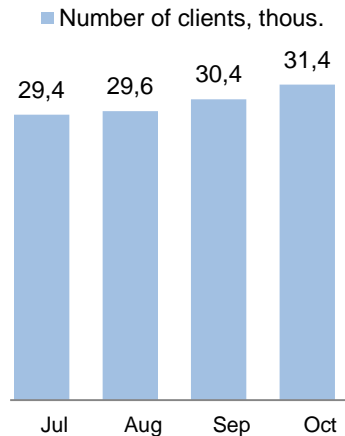


ИНКАССАЦИЯ Lite

- ✓ Tailored sets of cash and settlements services for SMEs and corporates with convenient options, low entrance fees and slight increase of settlements commissions:

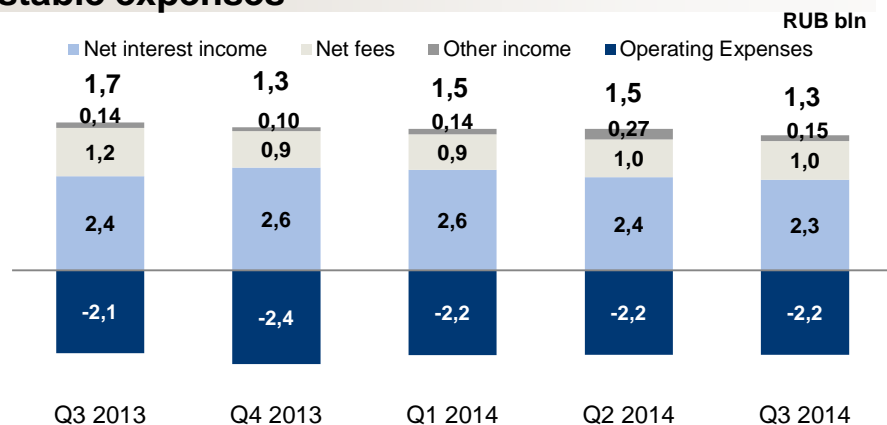
- Base
- Trade
- Importer

- ✓ More clients switching to remote banking services: mobile apps for retail and internet bank for corporates (85% of corporates)

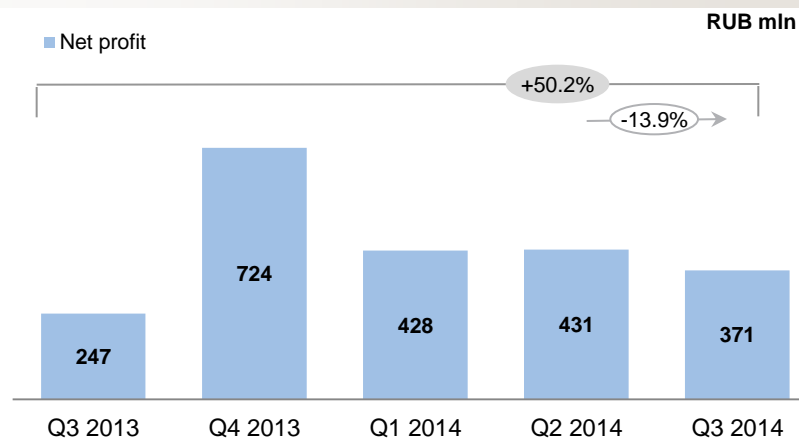


Strong cost control offset by weaker revenues

Operating profit down on lower revenues with stable expenses

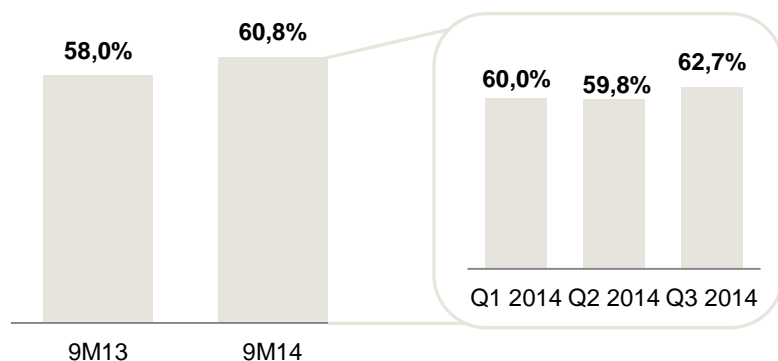


Net profit



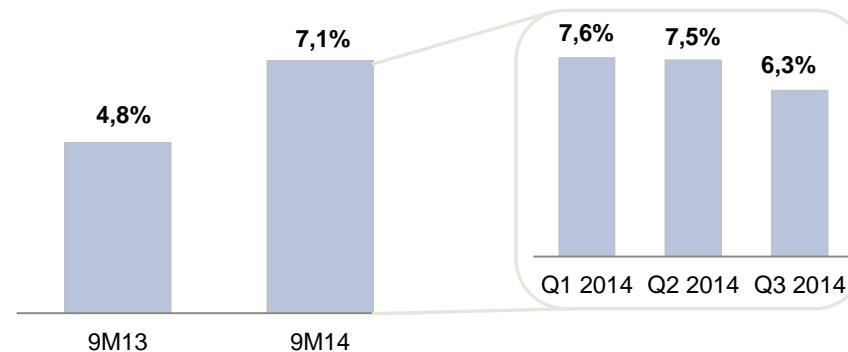
Operating efficiency

Cost-to-Income, %



ROE, %

ROE, %



Questions and answers



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- assessment of the Bank's future operating and financial results as well as forecasts of the present value of future cash flows and related factors;
- 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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