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THE BANK THAT IS ALWAYS WITH YOU

Going through provisioning peak



Conference Call
November 24, 2015

Q3 2015 highlights

Balance sheet highlights

- **Assets** at RUB 203.9 bln, down 6% QoQ on lower net loans and cash & equivalents
- **Liquidity** maintained at a comfortable level of 21.4% of assets
- **Retail lending** revived - loans to individuals up 8.9% QoQ, while **corporate** down 7.7% QoQ on the back of the repayments by large corporates and the sale of problem exposures
- **NPLs** down by 151 bps to 10.1% as a result of RUB 4.3 bln sale. Coverage improved 9.2 pps QoQ to 88.7% for 1 day+ overdue, and by 14.1 pps to 126.4% for 90 days+ overdue
- **Customer funds** outflow (-5.8% QoQ to RUB 160 bln) caused by several large VIP clients deposits withdrawals of expensive FX deposits. Core clients not affected.
- **Capital** position protected at 10.0% Tier 1 Capital ratio and 11.7% Total CAR, well above regulatory norms

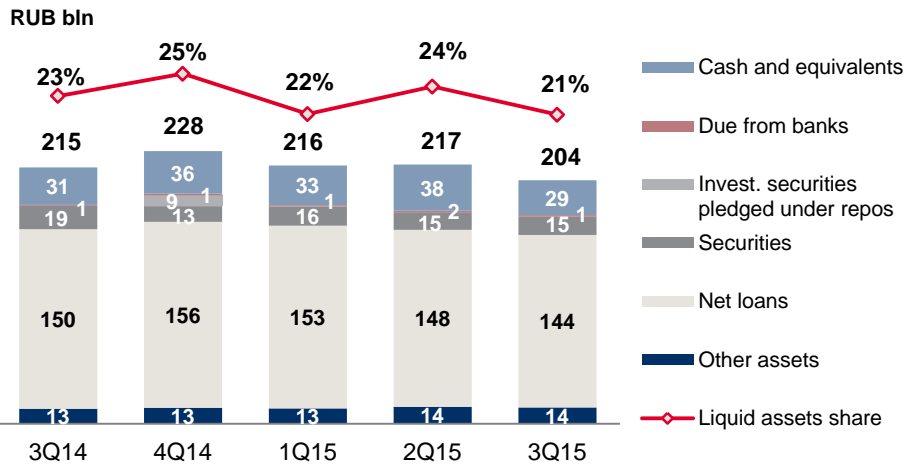
P'n'L highlights

- **NIM** improved by 11 bps to 4.9% on active repricing of the loan book, lower assets volume and decreasing funding costs
- **Net F&C** up 1% QoQ supported by the new settlement products launched and FX operations, but constrained by the lower business activity and a decline of the loan portfolio
- **Costs** almost flat (+0.8% QoQ) but C/I up 3.1 pps to 61.2% on lower revenues
- **Cost of risk** at the peak of 8.4% to improve coverage of NPLs most of which arrived in 4Q'14-2Q'15
- **Net loss** of RUB 2.0 bln versus a loss of RUB 609 mln in 2Q'15

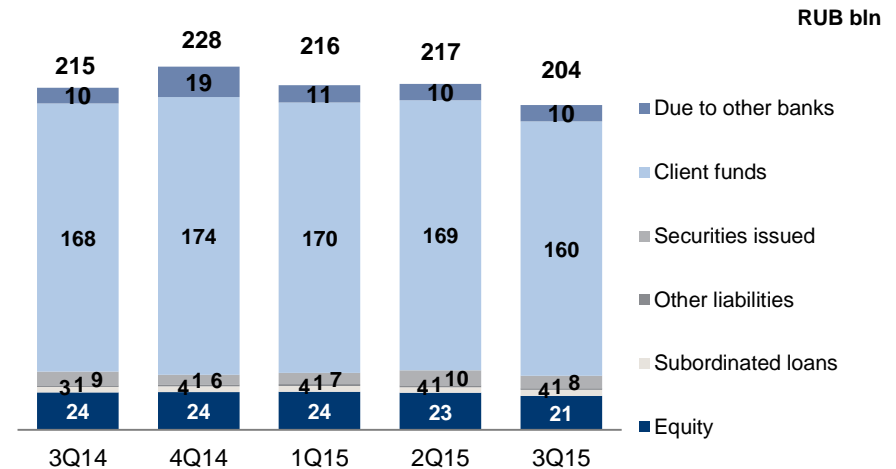


Assets and liabilities

Assets structure still reliable despite volume contraction

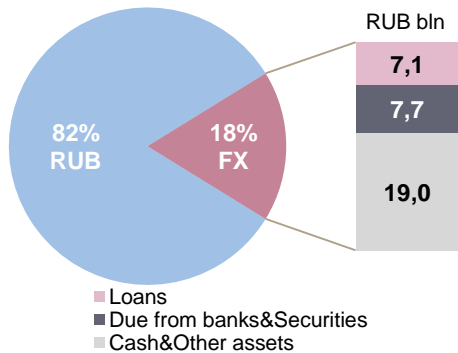


Client funds remain the core of the liabilities base

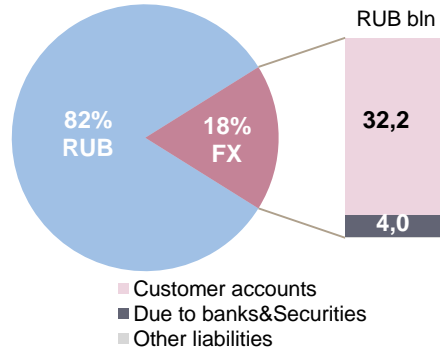


Moderate share of FX limits risks of RUB devaluation

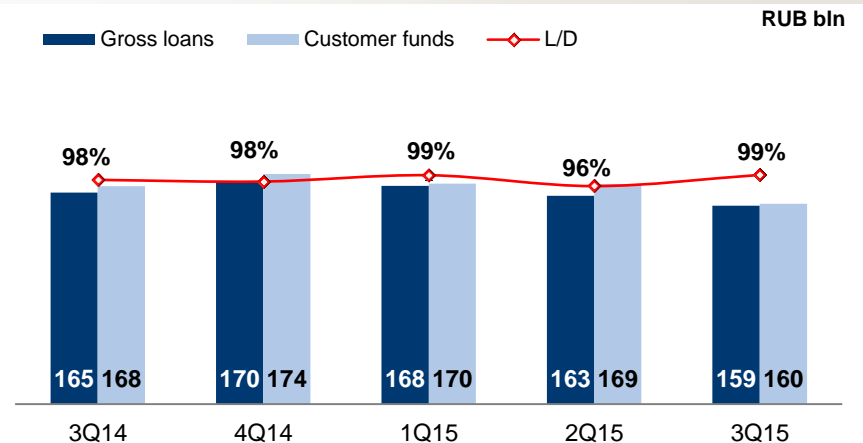
Assets



Liabilities



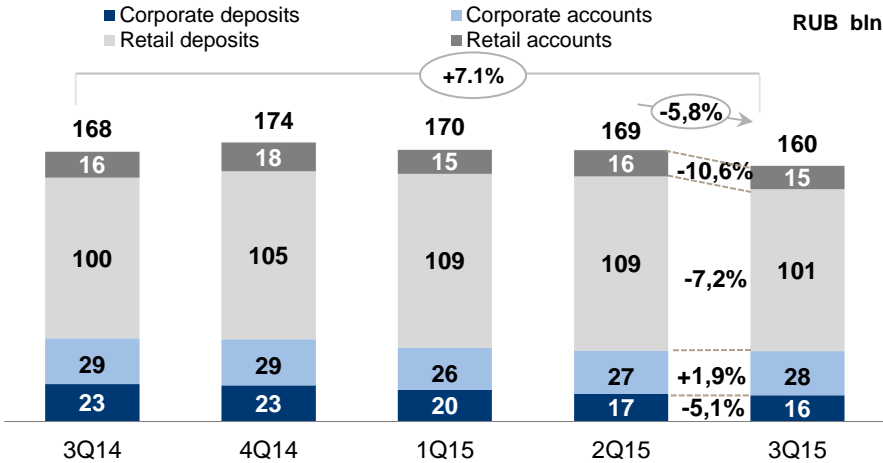
L/D close to target of 100%



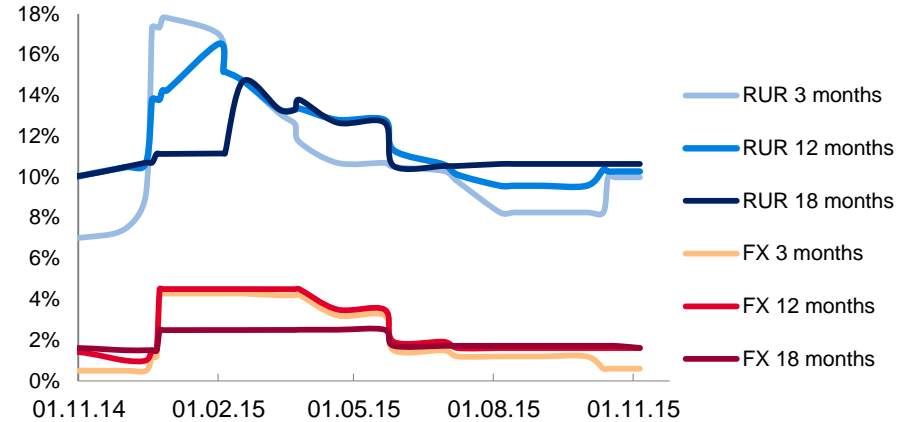
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Customer funds

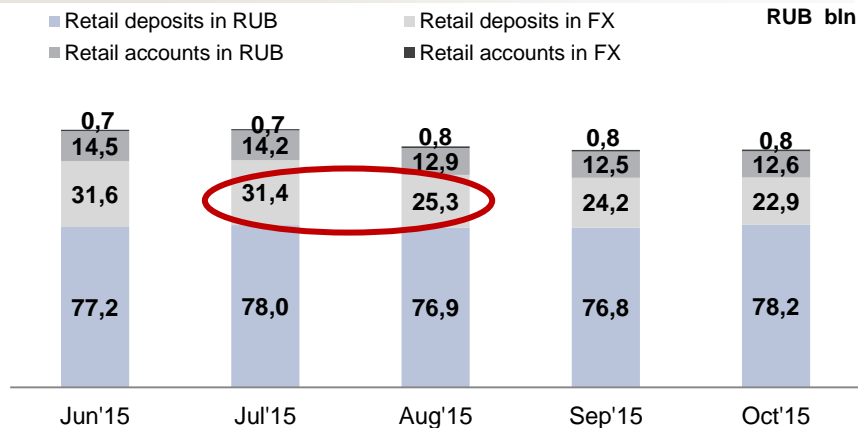
Outflow of retail funds caused by withdrawals of several VIP FX deposits in August



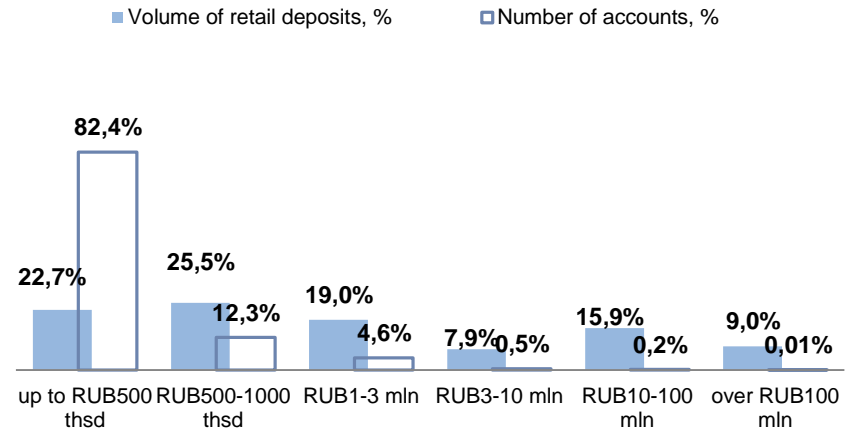
Dynamics of effective rates on retail deposits in 2014-2015



Retail funds monthly data (under RAS)

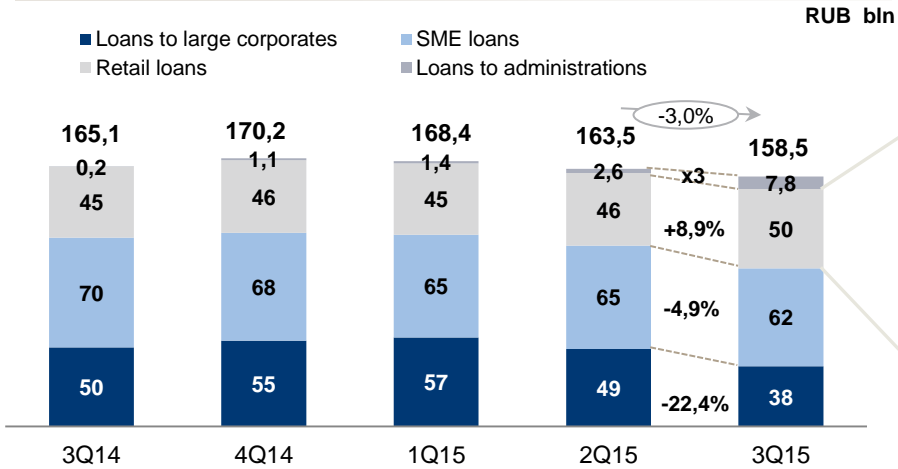


Well-diversified retail deposit base, core clients not affected

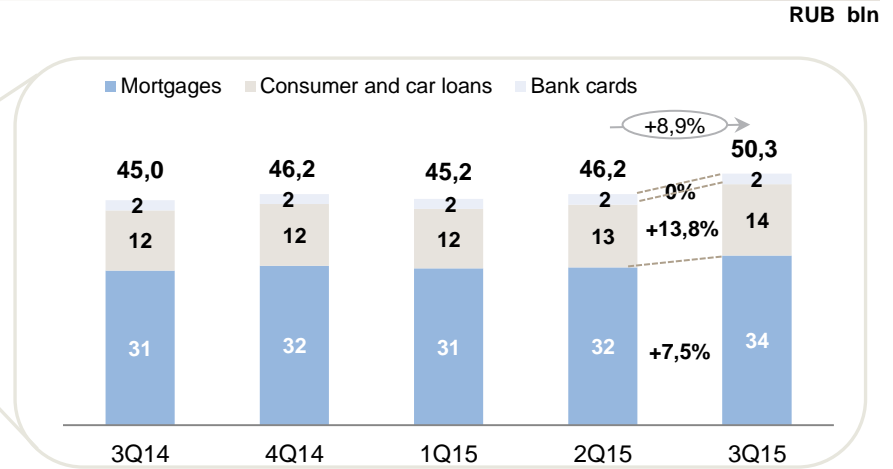


Loan portfolio

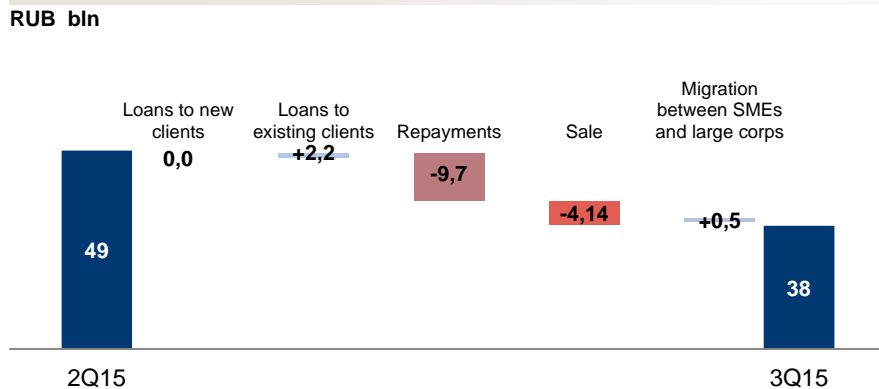
Loan portfolio down, focus on safe administrations in corporate lending



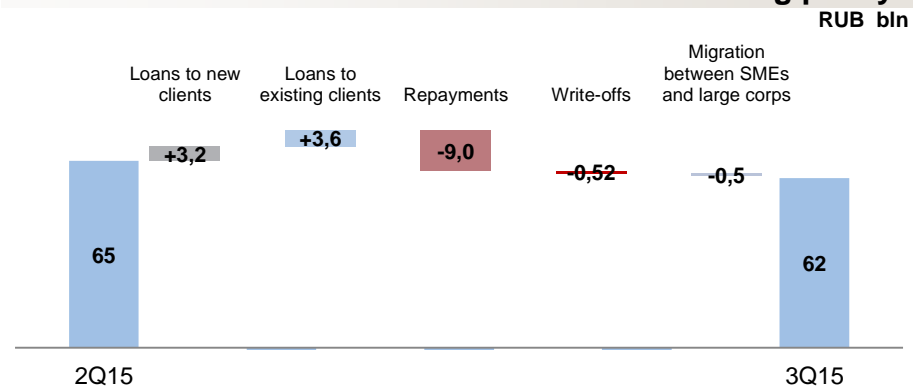
Strong recovery in retail lending



Large corporates on decline due to repayments and sale...

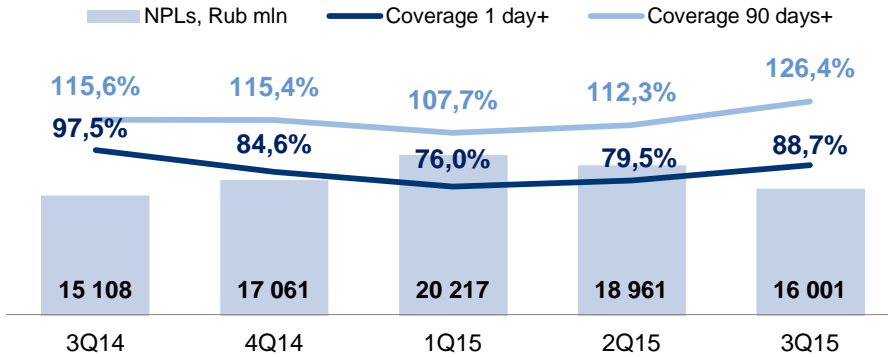


...SMEs moderated on high turnover and conservative lending policy



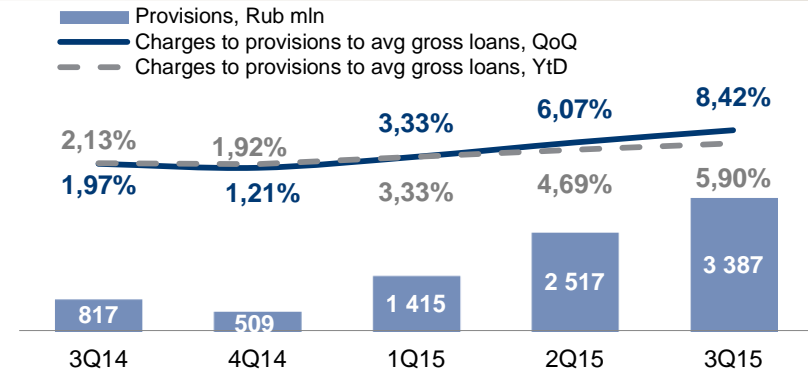
Credit quality management

NPLs reduction on sale of large exposures, coverage improved...

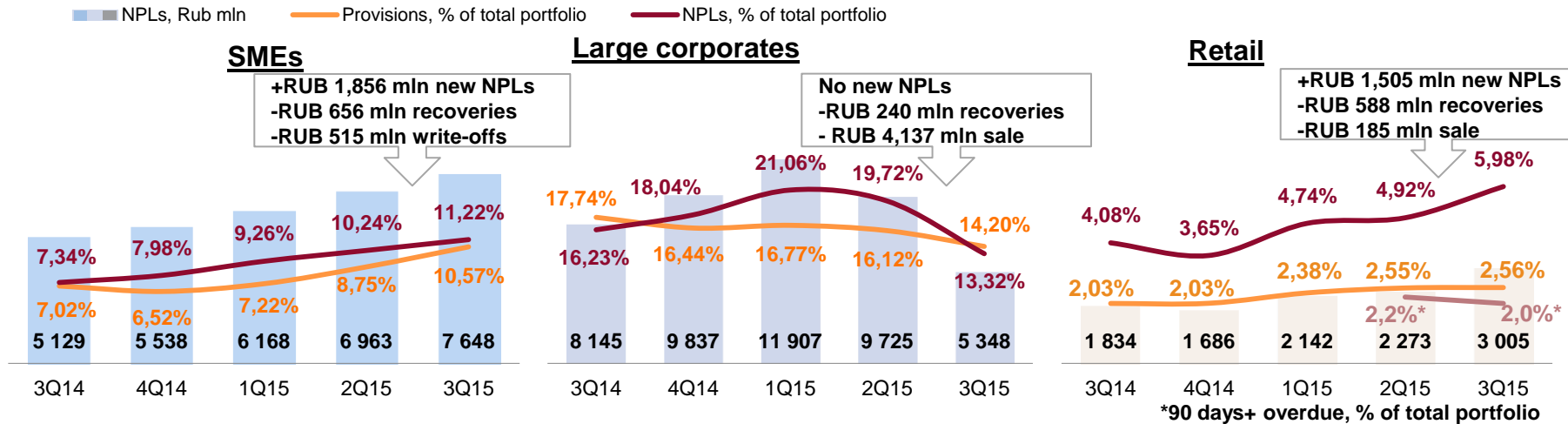


* NPL includes the whole principal of loans at least one day overdue either on principal or interest as well as not overdue loans with signs of impairment

...due to heavy provisioning



NPLs categorisation



Credit quality

As of September 30, 2015	RUB mln					
	Large corporates	SMEs	Mortgages	Other retail	Total	
Gross loans including	40,140	68,142	33,903	16,352	158,537	Provisions to NPLs Ratio 88.7%
Current loans	86.7%	88.8%	94.8%	92.5%	89.9%	
Past-due but not impaired including	0.0%	0.3%	4.1%	2.6%	1.3%	Provisions to 90 days+ NPLs 126.4%
Less than 90 days	0.0%	0.3%	4.1%	2.6%	1.3%	
Over 90 days	0.0%	0.0%	0.0%	0.0%	0.0%	
Impaired including	13.3%	10.9%	1.2%	5.0%	8.8%	
Less than 90 days	2.5%	2.3%	0.1%	0.9%	1.7%	
Over 90 days	10.9%	8.6%	1.0%	4.1%	7.1%	
Total NPLs	13.3%	11.2%	5.2%	7.5%	10.1%	Rescheduled Loans 10.8%
Provisions	-14.2%	-10.6%	-1.2%	-5.4%	-9.0%	
Net Loans	34,439	60,941	33,490	15,476	144,346	

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

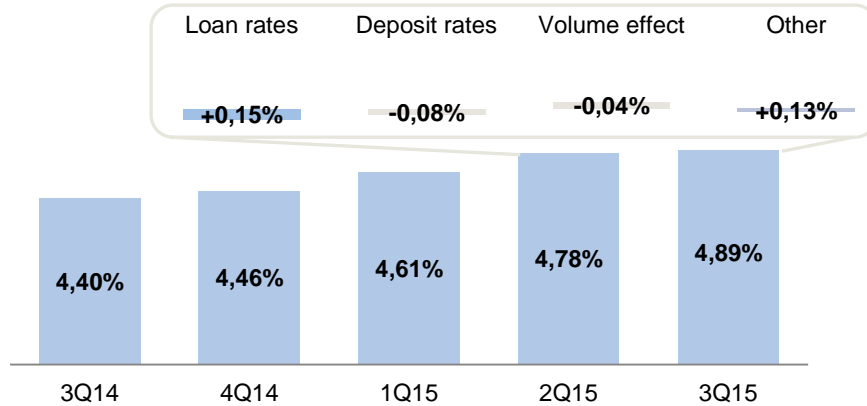
P'n'L summary

RUB mln

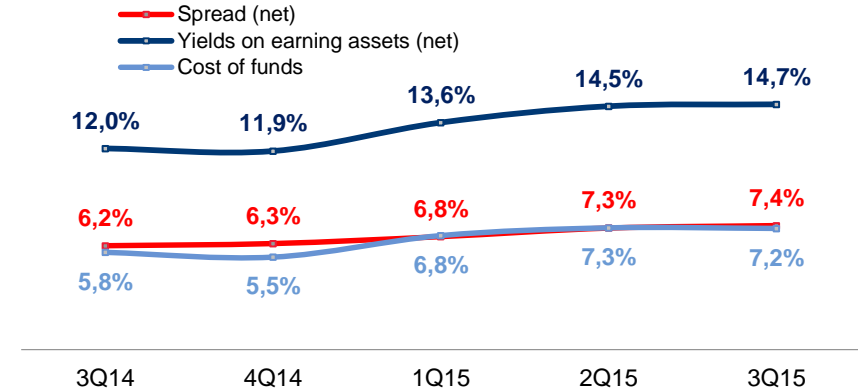
	3Q15	2Q15	QoQ	9M15	9M14	YoY
Interest income	5,960	6,080	-2.0%	17,958	15,073	+19.1%
Interest expense	(3,386)	(3,491)	-3.0%	(10,233)	(7,754)	+32.0%
Fee and commission income	1,170	1,124	+4.1%	3,368	3,428	-1.8%
Fee and commission expense	(200)	(164)	+22.0%	(551)	(538)	+2.4%
Other operating income	209	370	-43.5%	1,025	554	+85.0%
Total operating income before provisions	3,753	3,919	-4.2%	11,567	10,763	+7.5%
Operating expenses	(2,295)	(2,276)	+0.8%	(6,985)	(6,544)	+6.7%
Provisions for loan impairment	(3,387)	(2,517)	+34.6%	(7,319)	(2,683)	+172.8%
Provisions for impairment of other assets	(98)	(16)	+512.5%	(133)	19	-
Provisions for credit related commitments	0	92	-100%	92	0	-
Taxation	62	189	-67.2%	244	(325)	-
Net loss/profit	(1,965)	(609)	x3.2	(2,534)	1,230	-

Continued upward trend in NIM

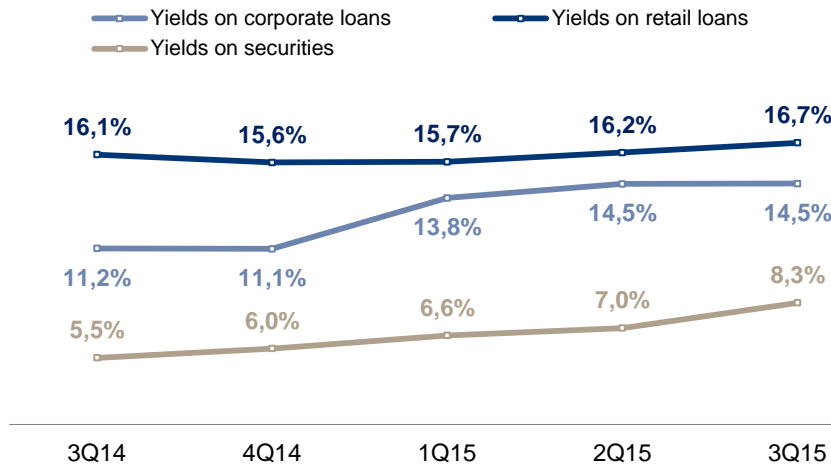
NIM growing and...



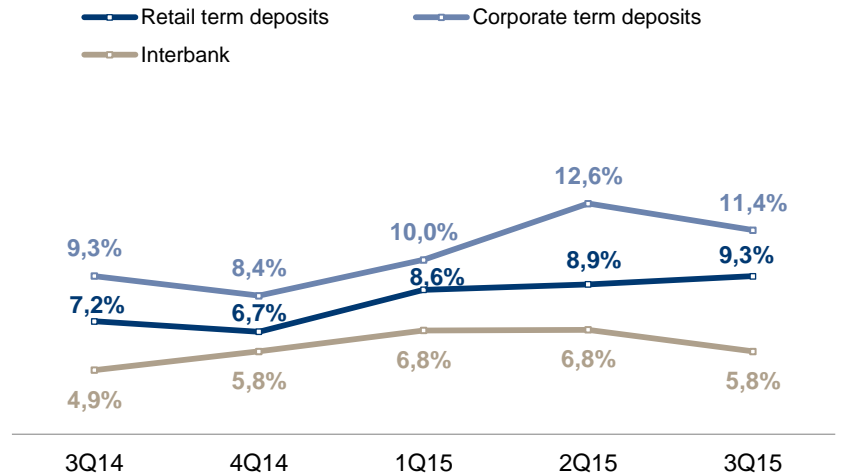
...spread expanding on effective balance sheet management



Yields on retail loans and securities are on the rise...

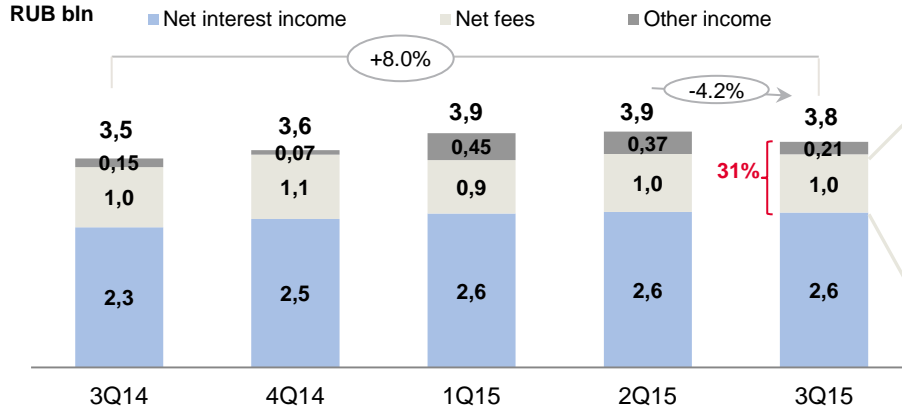


...while we've constrained the cost of corporate deposits and interbank

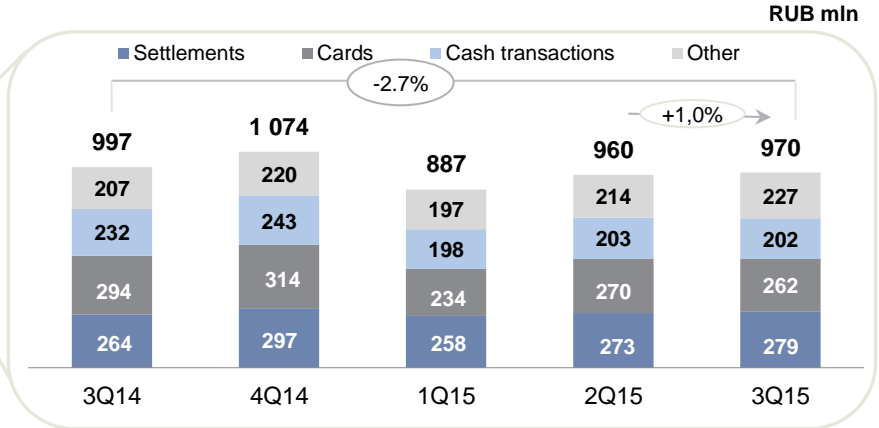


Revenues & costs

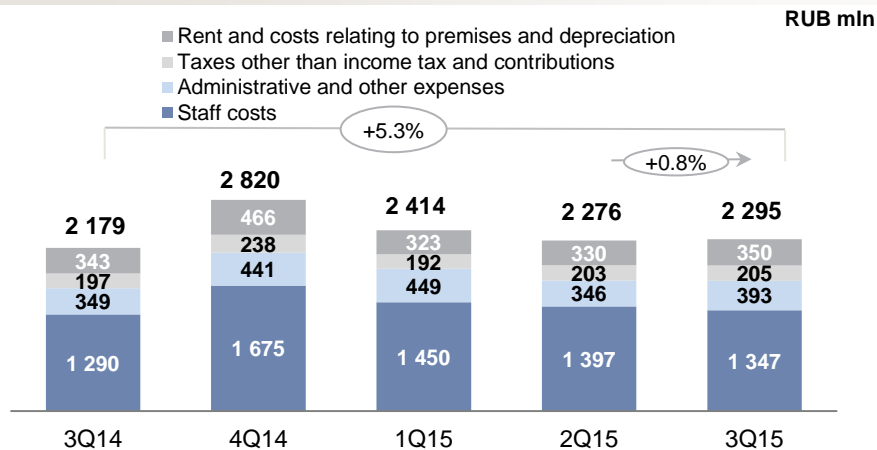
Total revenues slightly down on decline in trading income...



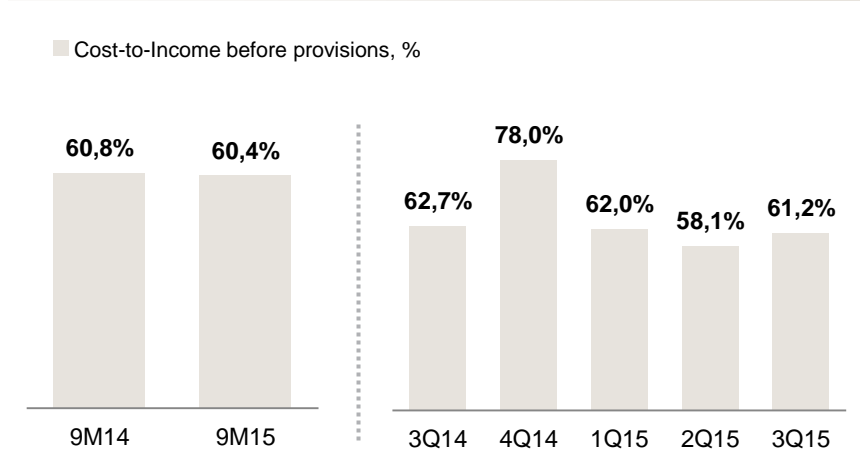
...but fees improved on income from settlements



Costs almost flat QoQ on declining staff expenses...



...while C/I up due to lower operating income

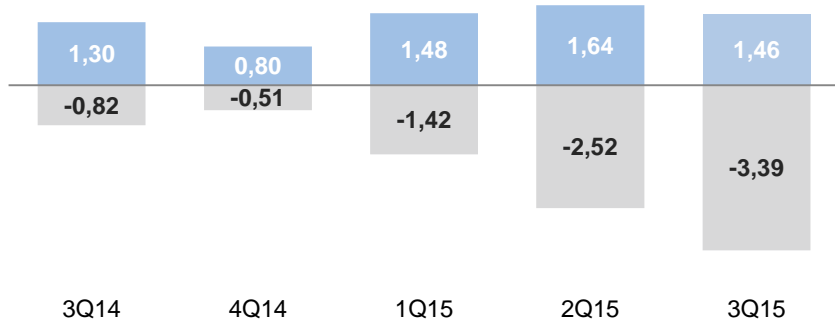


Profit and returns

Operating profit offset by high provisions

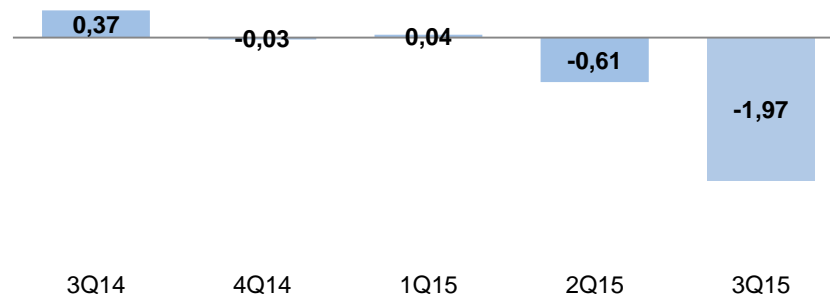
RUB bln

■ Operating profit before provisions ■ Provisions



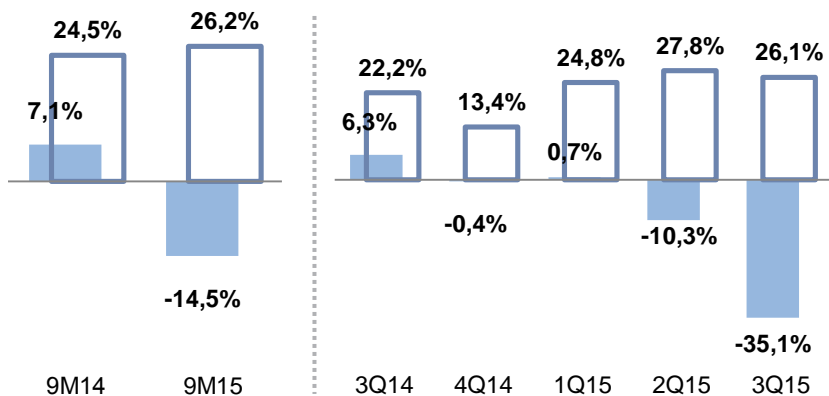
Net profit

■ Net profit



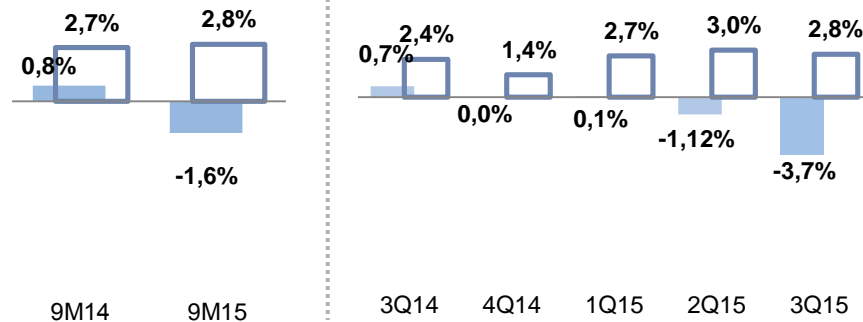
Return on equity

■ ROE ■ Profit before provisions and tax to equity



Return on assets

■ ROA ■ Profit before provisions and tax to assets

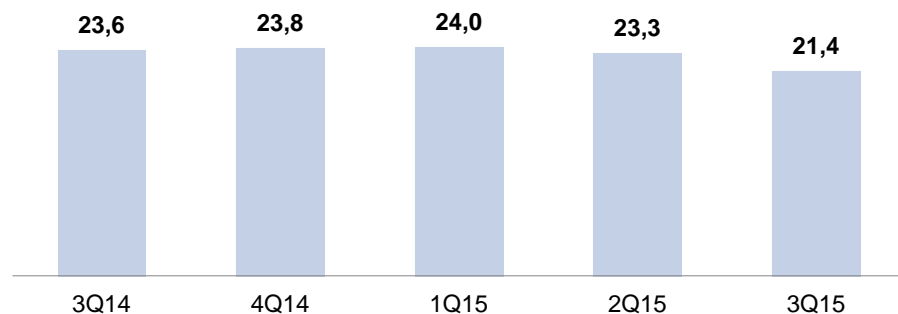


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Capital

Capital under IFRS

RUB bln

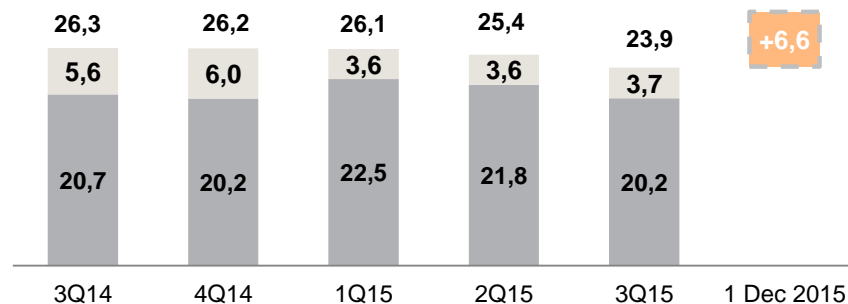


Regulatory Capital under Basel III

Common equity Tier I

Tier 2 Capital

RUB bln

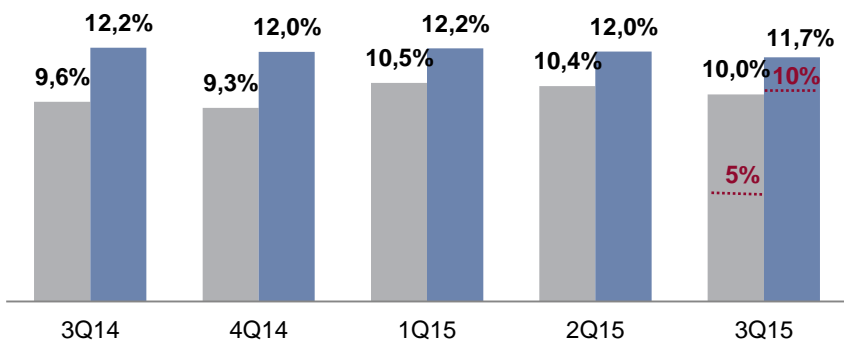


Basel III Capital Adequacy

Tier I Capital ratio (N1.1)

Total Capital ratio (N1.0)

Minimum requirements set by the Bank of Russia



Key points

On October 22, 2015 V.Bank received **RUB 6.6 billion** of additional capital from Deposit Insurance Agency via OFZ bonds – one of 27 Russian banks

Bonds will be recorded off-balance and included into Basel III capital adequacy ratios calculation starting from December 1, 2015



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Key takeaways

- **NIM growth maintained throughout 4 consecutive quarters – most volatile times – due to effective balance sheet management**
- **Strong growth in retail loans, conservative in corporate**
- **Active provisioning and workout of NPLs that arrived in 4Q'14- 2Q'15**
- **Capital position remained protected**



Key corporate events of Q3 2015

Change of the major shareholders

Dmitry and Alexey Ananiev's Promsvyazcapital B.V. (PSC) announced an intention to consolidate controlling stake in V.Bank.

Approval of the Bank of Russia is expected to finalise the deal and lead to a mandatory offer to minorities.

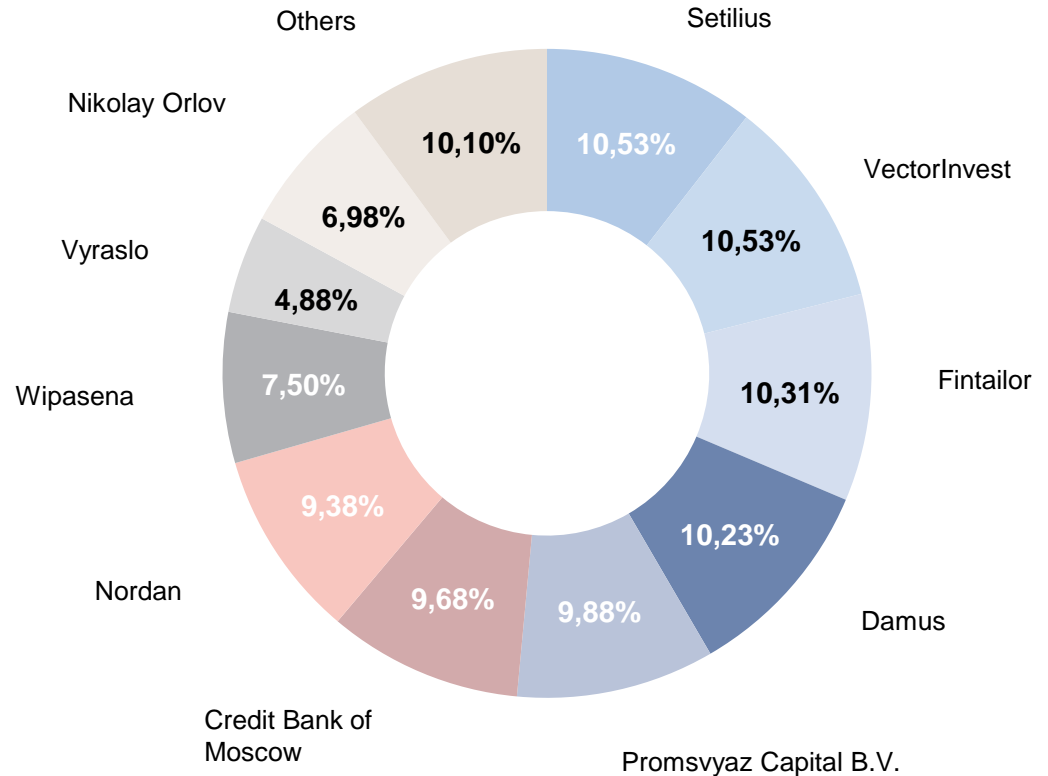
AGM to elect the new Board of Directors will be held on November 27, 2015.

Shares to be consolidated by PromSvyazCapital B.V. – more than 75%

Group **PromSvyazCapital**



Shareholder structure as of November 18, 2015
(stake in voting shares)



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Key corporate events of Q3 2015

New CEO



Konstantin Basmanov (41) as a new CEO was promoted by the new shareholders and appointed by the Board of Directors on Nov 10. He brings a great expertise in SME and branch network development to V.Bank.

Konstantin started his career from the scratch in Khabarovsk branch of VTB and went through the entire vertical to the Head of Branch Network Development Division and then the Managing Director on medium-sized clients at HQ VTB Bank.

He joined Promsvyazbank in 2006 and headed SME block in 2008. He was responsible for the network optimisation projects as well as launching and expanding the SME business.

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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- 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;
- the Bank's expectations as to regulatory changes and assessment of impact of regulatory initiatives on the Bank's activity.

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- risks relating to changes in political, economic and social conditions in Russia as well as changes in global economic conditions;
- 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.

Many of these factors are beyond the Bank's ability to control and predict. Given these and other uncertainties, the Bank cautions not to place undue reliance on any of the forward-looking statements contained herein or otherwise.

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