

# Financial Results Analysis

## Assets

Assets of the bank grew by 13.7% during the past twelve months to RUB 209.1 billion as of December 31, 2012. Liquid assets and net loan portfolio were the main driving force rising by RUB 6.5 billion and RUB 17.3 billion respectively (+14% both).

Stable inflow of corporate and retail customers' funds elevating by 12.9% over the year to RUB 163.9 billion supported the funding base enhancement. The growth intensified in Q4 driven by liquidity improvement in the banking system and seasonal top-up of current accounts balances. At the year-end retail term deposits totaled RUB 81.0 billion (+12.3% YoY). Amid the modest loan growth the loan-to-deposit ratio stayed at 95.4% as of the end of 2012 preserving the base for the future business expansion.

## Equity

Equity of Bank Vozrozhdenie was up 12.7% to RUB 20.8 billion versus 2011 driven by retaining earnings. Capital adequacy ratio stood at 14.9% while Tier 1 CAR was equal to 12.3% comparing to 13.8% and 11.9% respectively in 2011. In 2012, the Bank raised 2 tranches of 8-year subordinated deposit amounting to RUB 2 billion at the rate of 9.25%. It strengthened the bank's capital position on the threshold of toughening of the Bank of Russia regulation over capital adequacy calculation and expected implementation of Basel III standards. The third tranche of subordination was raised at the end of February, 2013.

## Loan portfolio

Loan portfolio before provisions rose by 13.8% in 2012 to RUB 156.4 billion (\$ 5.1 billion) due to the corporate loan book expansion by 9.3% and climb in retail lending (+34.8% over 2012). Corporate loans industry structure remained stable in the past twelve months with largest segments related to manufacturing (28%) and wholesale and retail trade (23%). The bank's core client base of SMEs comprises 63% of the corporate loan book. Total retail loan book was up 34.8% in 2012 driven by significant boost in mortgage lending which added 44.5% over the year to RUB 22.3 billion. Consumer loans dynamics remained positive (+27.1%) as well bringing them to RUB 8.1 billion by the end of the reporting period. By the end of 2012 loans to individuals made up 21% of the total loan portfolio.

## Securities portfolio

Securities portfolio stayed almost unchanged over the past year and amounted to RUB 8.4 billion as of the end of 2012 versus 8.7 billion. Historically the bank used to treat trading securities portfolio as a liquidity management tool so it includes primarily debt securities with investment ratings and short maturities. As of December 31, 2012, the bank's securities portfolio comprised corporate bonds and Eurobonds (78.8%) as well as federal and municipal bonds (15.3%).

## Non-performing loans

NPL ratio was up 130 bps to 9.0% of the total loan book or RUB 14.1 billion. Significant rise of NPLs in the course of the year was caused by the impairment of some large corporate groups exposure amounted to RUB 3.7 billion. In medium enterprises segment NPL ratio remained virtually the same at 9.3% (versus 9.8% at the end of 2011) and in small enterprises segment NPL ratio was 1.8% down during the reporting period. Retail segment also enjoyed some improvement of the loan book quality. Non-performing mortgages stayed at 1.7% in 2012 and consumer NPL ratio cooled down to 4.8%. However, anticipating economic growth slowdown and the global vulnerable environment Bank Vozrozhdenie continues adding up provisions for loan impairment. In 2012 cost of risk was equal to 1.8% which looks reasonable to keep for the current year as well. Total provisions for loan impairment totaled RUB 14.7 billion ensuring coverage of NPLs 1 day+ overdue of 104.0% and NPLs 90 days+ overdue of 107.0%.

## Net interest income

Net interest income elevated by 21% to RUB 9.1 billion in 2012. Both loans' and deposits' rates kept surging throughout the year due to persisted liquidity shortage. However, the Bank pursued balanced interest rates policy and managed to restrain growth of funding costs to 4.4% versus 4.2% in 2011. Yields on earning assets that were re-priced faster than deposits advanced 88 bps to 11.3% in 2012. On the annual basis net interest margin expanded to 4.7% versus 4.3% for 2011 while net spread added up 60 bps to 6.8%.

## Non-interest income

Fees and commissions reached RUB 5.5 billion for 2012, up 5.2% for the year. Corporate business fees and commissions accounted for 52% of the non-interest revenue, a significant part of 27% was delivered by the bank cards' business, 16% came from retail business and the remainder 5% — from financial markets operations.

## Operating expenses

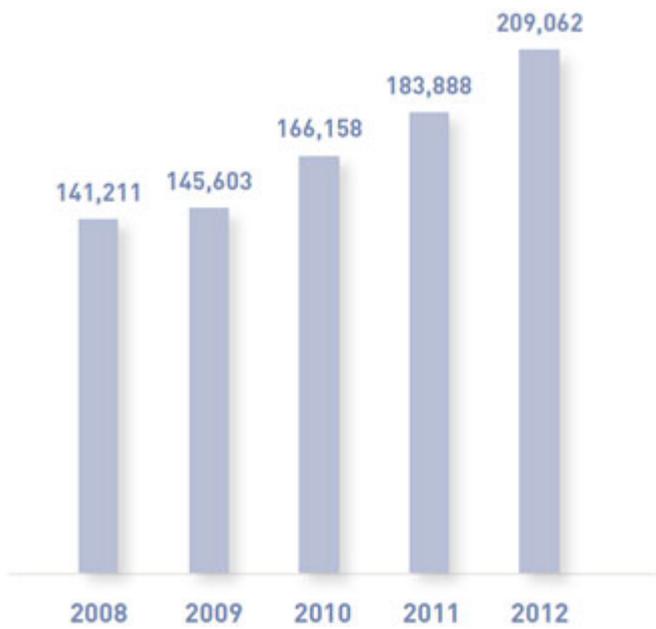
In 2012, operating expenses added only 3.6% to RUB 8.7 billion that is well below inflation level in Russia for the same period. Staff costs increased by 4.1% YoY to RUB 5.1 billion. The moderate growth in operating expenses resulted from the Bank's efforts on costs optimization, in particular the ones related to its day-to-day activities, including tougher monitoring of internal limits observation and concluding more contracts by tenders via the electronic trading platform. Cost-to-income ratio dropped to 58.5% from 64.8% in 2011, the lowest level for the last three years.

## Net income

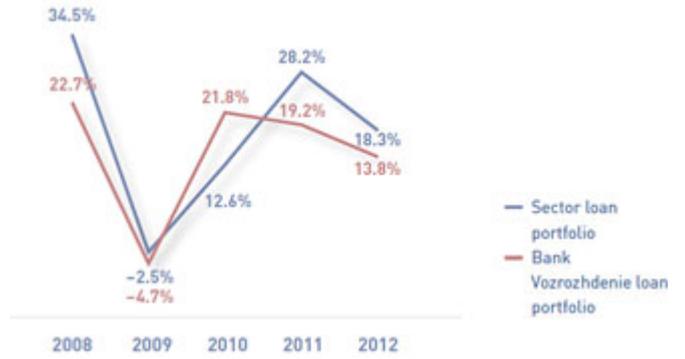
Profit before taxation in 2012 totaled RUB 3.0 billion, up 47.0% from 2011 driven by positive dynamics of operating income components and tight cost control. Net profit for 2012 grew by 46% to RUB 2.3 billion from 2011. Return on equity was 11.9% going to double digits for the first time since 2008.

## Assets, RUB million

## Growth rates of lending in Russia and

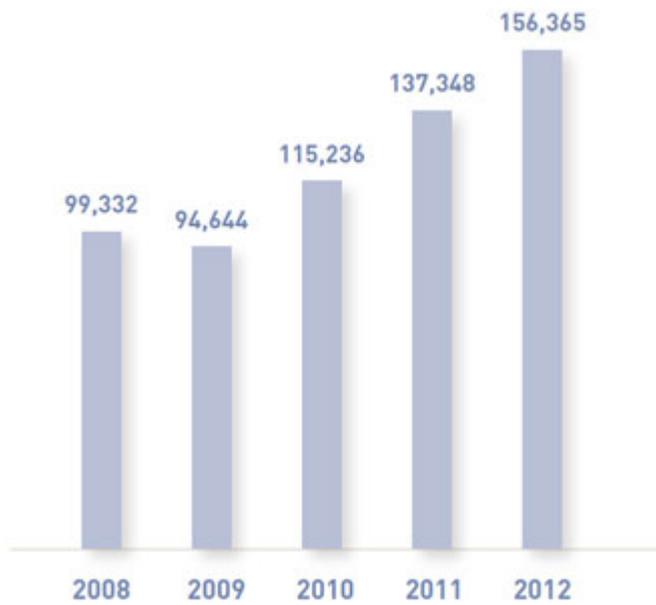


### Bank Vozrozhdenie loan portfolio

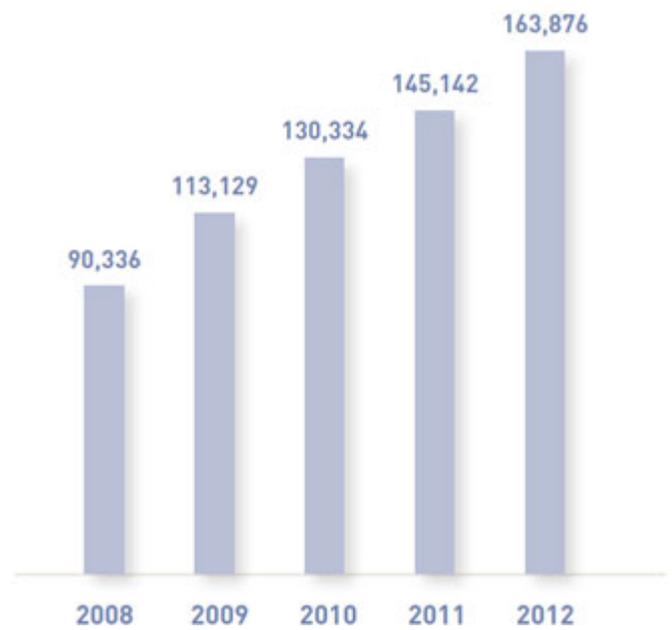


\*Source: The Bank of Russia

### Loan portfolio before provisions, RUB million

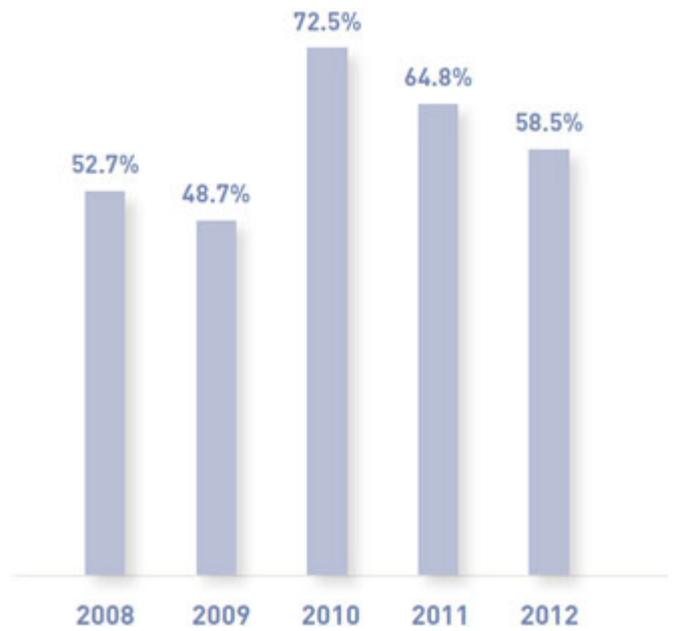
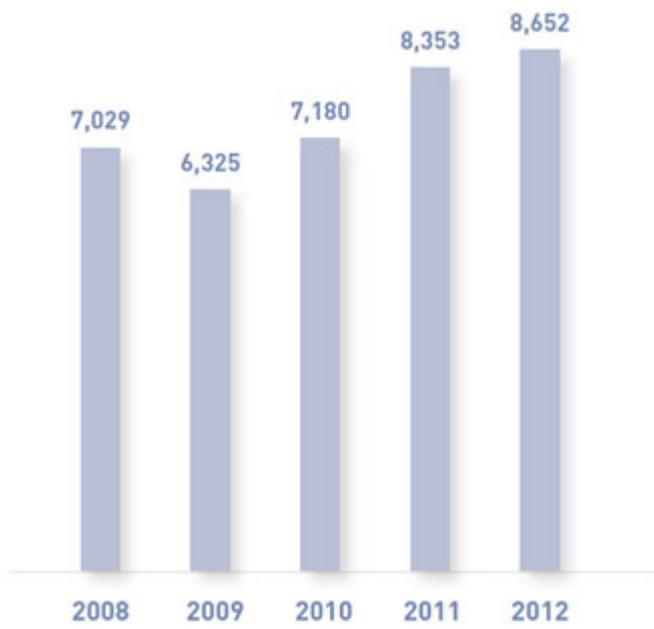


### Client funds, RUB million



### Operating expenses, RUB million

### Efficiency (cost-to-income)



**Fee and commission income, RUB million**



**Net income, RUB million**

