Renaissance CREDIT

S&P: Renaissance Credit demonstrates “stable asset quality and lower cost of risk than most other retail banks in Russia and the Commonwealth of Independent States”

Brief overview of the Bank

- **Strong shareholder:** Onexim Group (86.0%) - one of the largest private investment funds in Russia
- **Large client base:** above 12 million
- **Leading position on the market:** among top 10 specialized retail banks and top 5 POS lenders
- **Effective business** model with omni-channel distribution: 62 regions of Russia covered by 139 996 points-of-sale, 136 branches and full fledged mobile/online banking platform
- **Well-known retail partners:** Svyaznoy, Euroset, M.video, Eldorado, Beeline, Megafon, Ascona, Hilding Anders, Inventive Retail Group, Lazurit and more than 26 000 retail companies
- **Advanced risk management and collection systems** resulting in "sustainable asset quality" (S&P)
- **Ranking by Kommersant:**

Top 3	Top 7	Top 13	Top 48
by ROAA for 9M2018	*by ROAE for 9M2018*	*by retail loans as of 9M2018*	*by net assets as of 9M2018*

Sound financial performance *

₽ bn	2016	2017	2018
Total assets	98	130	159
Gross loan portfolio	83	111	138
Due to customers	71	97	123
Equity	17	23	27
Origination	89	127	145
Net profit	1.5	5.0	6.0
ROAE	10%	25%	24%
NIM incl. fees	22%	23%	21%
Cost of risk	7%	6%	8%
Cost to Income	61%	46%	37%
TCAR, N1.0	9.8%	10.3%	10.8%

* IFRS, 2016 – 2018 audited by E&Y

Credit Ratings:

STANDARD & POOR'S	**B**, Stable outlook
ACRA	**BBB- (RU)**, Stable outlook

Renaissance Credit has strong positions within Russian consumer finance landscape

POS Loans — # 4

Loan portfolios at 01.01.2019 and rankings

₽ 269 bn (+8,5% YoY)

	Bank	₽ bn	Market share, %
1.	Home Credit	55.7	20.7%
2.	OTP Bank	37.9	14.1%
3.	Pochta Bank	37.3	13.9%
4.	**Renaissance Credit**	**28.1**	**10.5%**
5.	Rusfinans Bank	22.8	8.5%
6.	MTS Bank	17.5	6.5%
7.	Credit Europe Bank	14.8	5.5%
8.	Russian Standard	13.0	4.9%
9.	Tinkoff Bank	11.9	4.4%
10.	Orient Express Bank	10.2	3.8%
11.	Alfa Bank	10.1	3.7%
12.	Cetelem Bank	7.1	2.6%

GP Loans — # 10

₽ 5 868 bn (+26,7% YoY)

	Bank	₽ bn	Market share, %
1.	Sberbank	1 910.6	32.6%
2.	VTB	1 191.8	20.3%
3.	Pochta Bank	261.5	4.5%
4.	Alfa Bank	243.3	4.1%
5.	Rosselkhozbank	182.4	3.0%
6.	Gazprombank	132.0	2.2%
7.	Home Credit	130.0	2.2%
8.	Raiffeisenbank	122.1	2.1%
9.	Rosbank	98.6	1.7%
10.	**Renaissance Credit**	**96.6**	**1.6%**
11.	Moscow Credit Bank	73.1	1.2%
12.	Orient Express Bank	68.5	1.2%
13.	Bank Otkritie FC	60.3	1.0%
14.	Uralsib	54.9	0.9%
15.	Sovcombank	52.3	0.9%

Credit Cards — # 16

₽ 1 461 bn (+12,8% YoY)

	Bank	₽ bn	Market share, %
1.	Sberbank	633.6	43.4%
2.	Tinkoff Bank	177.9	12.2%
3.	Alfa Bank	164.1	11.2%
4.	VTB	111.6	7.6%
5.	Russian Standard	68.7	4.7%
6.	OTP Bank	27.3	1.9%
7.	Citibank	25.2	1.7%
8.	Orient Express Bank	24.5	1.7%
9.	FC Otrkytie	23.4	1.6%
10.	Sovcombank	20.8	1.4%
11.	Raiffesenbank	17.4	1.2%
12.	Home Credit	16.4	1.1%
13.	Credit Europe Bank	15.2	1.0%
14.	Pochta Bank	15.0	1.0%
15.	Rosbank	13.3	0.9%
16.	**Renaissance Credit**	**12.8**	**0.9%**
17.	MTS Bank	10.1	0.7%
18.	UniCredit	8.5	0.6%
19.	Uralsib	5.6	0.4%
20.	Qiwi Bank	5.4	0.4%

Source: Frank Research Group and IFRS reporting of the banks as of 01.01.2019

Company overview

Renaissance CREDIT

Core consumer finance products

- **POS loans**
- **Cash loans**
- **Credit/ debit cards**
- **Deposits**
- **Insurance**
- **Different commission products**

Key criteria for existing and new products and services:

(a) fully meet the customer needs

(b) be financially viable in terms of return they generate for the bank

New verticals

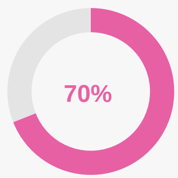
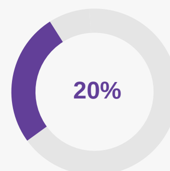
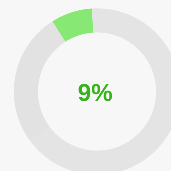
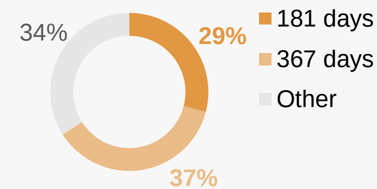
- **Mortgage**
- **Financial Security**

Omni-channel Distribution

Partners (offline + online)	26 000
POS	*140 000*
Branches	136
Couriers	
Mobile bank	550 000 users
Internet bank	200 000 users

Distribution channels are persistently developed to ensure superior customer experience and client engagement with all the products the bank offers

Core consumer finance products

Indicator	Assets - Key Lending Products			Liabilities
Product	Cash Loans	POS Loans	Credit Cards	Retail Deposits
Description	Unsecured cash (personal) loans provided to customers	Unsecured loans to finance purchase of durable goods at POS	Unsecured revolving credit lines with a grace period	Term-deposit opened by customers at an advertised rate
Gross portfolio	₽ 96 bn	₽ 28 bn	₽ 13 bn	₽ 112 bn
% of portfolio / term structure				
Origination	₽ 83 bn 300 000 loans	₽ 43 bn 1 159 000 loans	₽ 19,5 bn 338 000 cards	Number of clients 202 000
Average size / limit	₽ 277 000	₽ 37 000	₽ 54 000	₽ 541 000
Effective Annual % Rate / Interest	EAPR = 24%	EAPR = 19%	Gross margin = 42%	Avg. on ₽ deposits: 7,28%
Average maturity	50 months	18 months	-	11 months

Additional fee-based products

Enhancing product offering and cross-sell with complementary fee-based partner products

Partner products

Revenue in 2018

Insurance

Insurance services are provided in partnership with Renaissance Life Insurance, Soglasie-Vita insurance and Soglasie Insurance Company

Property insurance	Services and "box solutions" related to property insurance	**₽ 215 mln**
Life insurance	Services related to investment and universal life insurance	**₽ 73 mln**

Consulting services

Legal and credit history advice provided with AMULEX and Credit Bureau

Personal attorney	Consulting services on legal issues	**₽ 356 mln**
Credit history	Services related to requesting credit history from the Credit Bureau	**₽ 81 mln**

Non-state pension fund

Pension fund services provided with Gazfond-Pension Savings

Non-state pension fund	Services related to pension transfer into a non-state pension fund	**₽ 8 mln**

Mortgage

New

Renaissance Credit launched a project in mortgage lending jointly with Ipoteka.Tsentr in February 2019

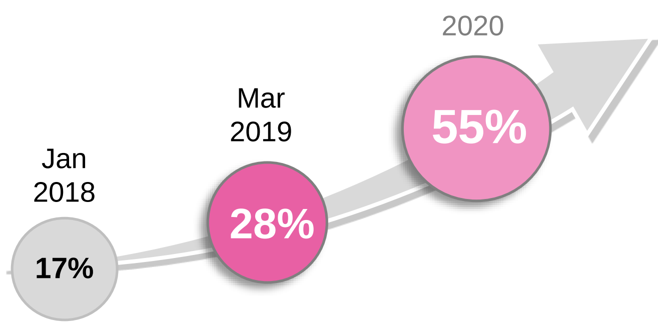
The bank will act as an agent and will provide retail clients with access to mortgage offers from different financial institutions

It is a perfect opportunity for the bank to explore in detail the sector of mortgage lending maintaining its traditional business model with focus on unsecured lending

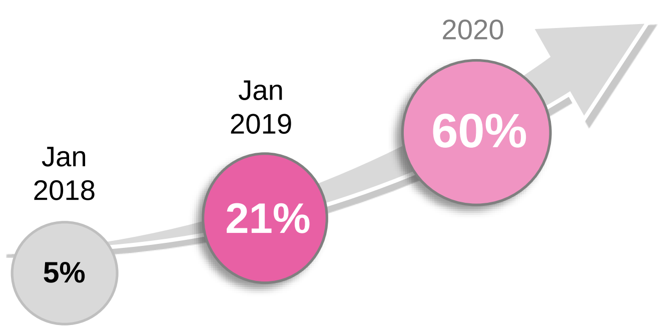
Evolution of online channel

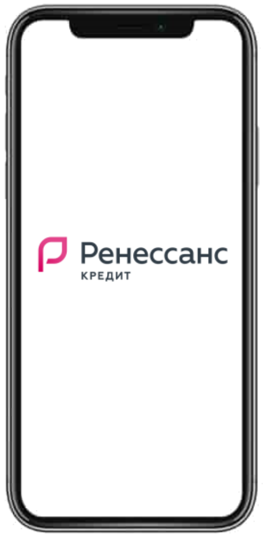
Rapidly growing online banking penetration

Online loan origination (web + mobile)



Deposits opened online





Digital Strategy 2020

Mobile banking

- ✓ Focus on usability of remote banking channels
- ✓ Significant expansion of the recently competed system of online offering for the whole product range of the bank:
  - Cash loans: 50% of cash loans targeted to be originated via mobile banking by 2020YE
  - Credit/debit cards: digital delivery starting from 2019, penetration of 100% for users of the mobile bank
  - AppStore and Google Play as additional channels of acquisition of digital-native clients

Web platform

- ✓ Full application and transaction closing cycle on the website
- ✓ Complete integration of the website into internet services (largest financial aggregators, government internet services) and bank's own CRM

E-payments

- ✓ Structural shift towards online channels and instant transactions (demanded by the client + generates additional fee for the bank)
- ✓ Expansion of the range of existing services for transactional income (money transfer by phone number to and from any bank using all available channels), simplification of utilities payments via direct invoicing of the bank
- ✓ Transactional income to increase three-fold in 2020

Overview of financial performance

Bank maintains stable organic growth with record-high ROAE and asset quality

Highlights

- Loan origination, credit portfolio and net profit demonstrate consistent growth, while the previously achieved high asset quality is being maintained: the share of non-performing loans past-due more than 90 days (NPL90+) remains on record-low levels.
- The bank continues to further improve its operating model ("cost to income" ratio for 2018 reached 37%) and decrease the cost of funding (7.2% 2018).
- Success in achieving all the targeted financial indicators compensated for the general market trend of decreasing net interest margins during 2018.
- As a result, for the twelve months of 2018 the bank succeeded in maintaining the high return on equity (ROE) achieved in 2017.
- The increase of NPL from 3.5% to 4.3% is caused mainly by implementation of IFRS-9 methodology and offset by higher NPL90+ coverage (159% in 2018 vs 99% in 2017).

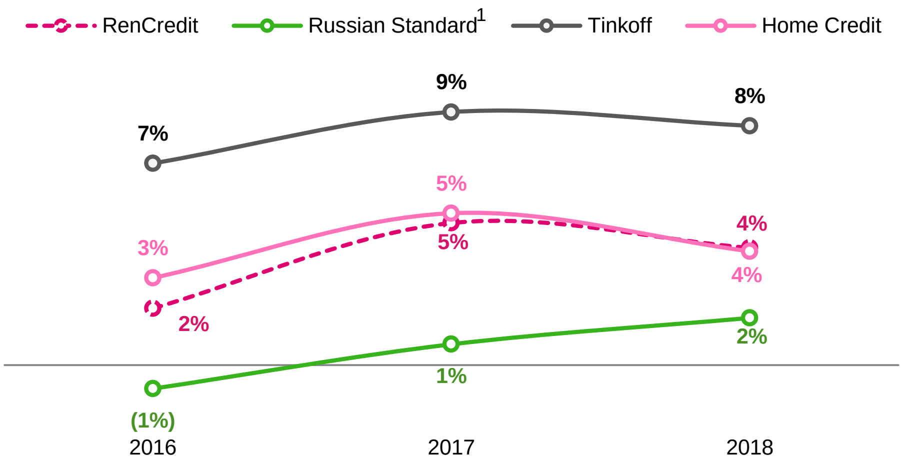
Key Performance Indicators, IFRS[1]

₽ bn	2016	2017	2018
Origination volume	89	127	145
Interest and fees	24	29	35
Net interest income	**12**	**16**	**20**
Net profit	2	5	6
Cash & cash equivalents	8	13	18
Investment securities	-	-	3
Loans to customers, net	79	108	128
Other	10	9	10
Total assets	**98**	**130**	**159**
Due to customers	71	97	123
Subordinated loans	8	7	6
Other	2	3	3
Equity	**17**	**23**	**27**
NIM incl. fees	*22%*	*23%*	*21%*
Cost of Funding	*9%*	*8%*	*7%*
Cost to Income	*61%*	*46%*	*37%*
ROAE	*10%*	*25%*	*24%*
NPL90+	*5.2%*	*3.5%*	*4.3%*
NPL90+ coverage	*99%*	*99%*	*159%*

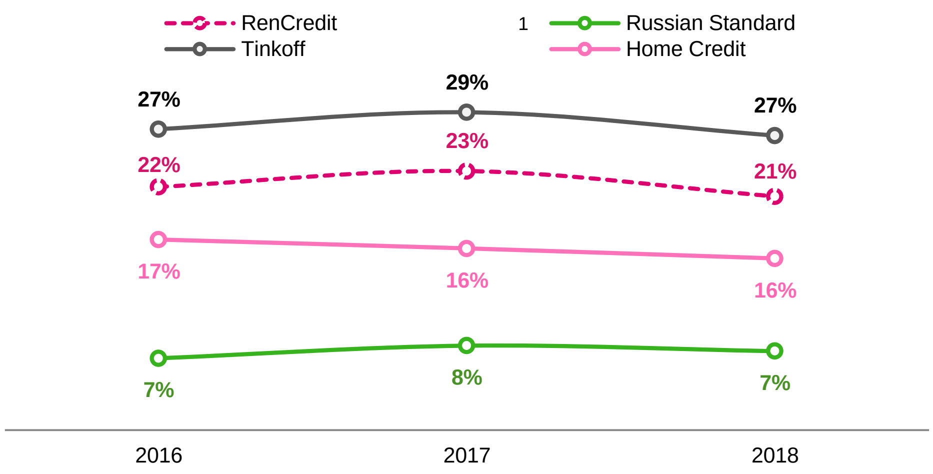
Notes: [1] – data for 2016-2018, audited by EY

Strong performance vs. other consumer finance players

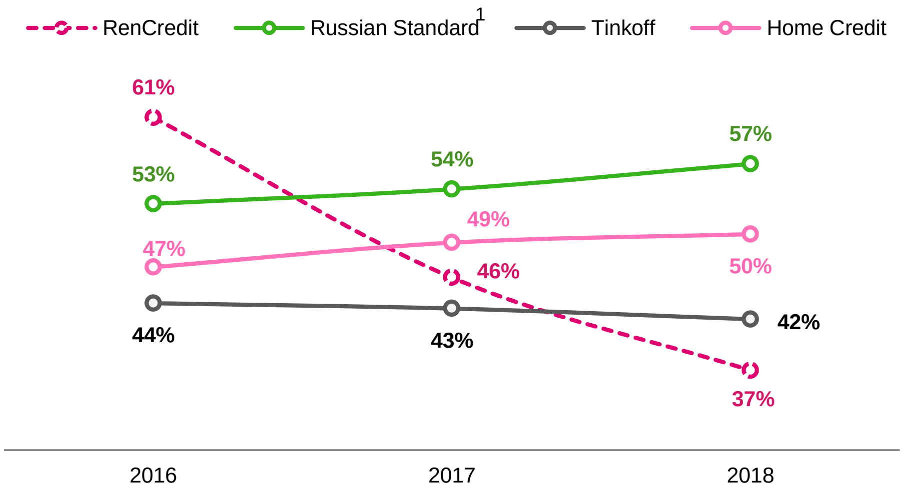
Return on Average Assets, %



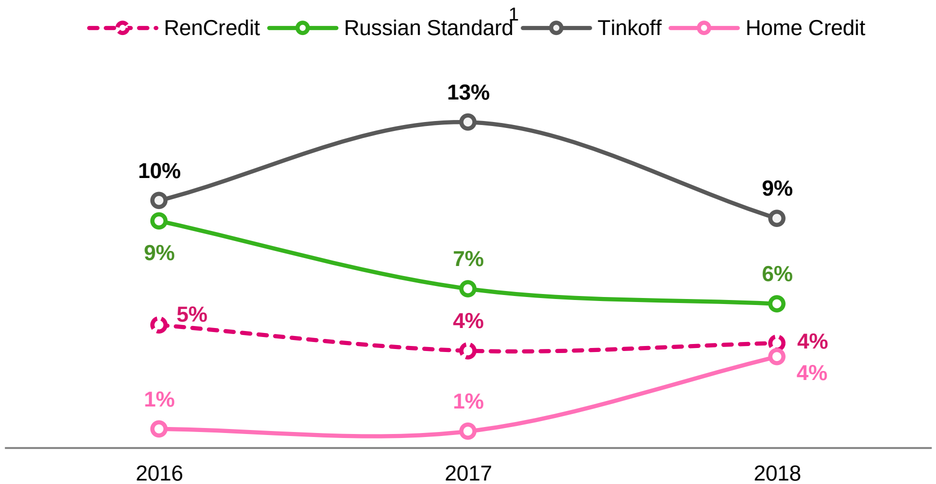
NIM incl. fees %



Cost to Income ratio, %



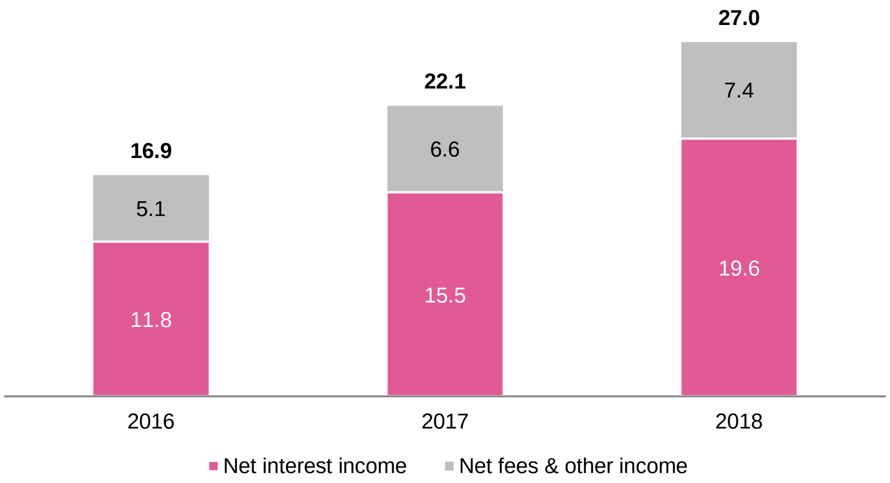
NPL ratio, %



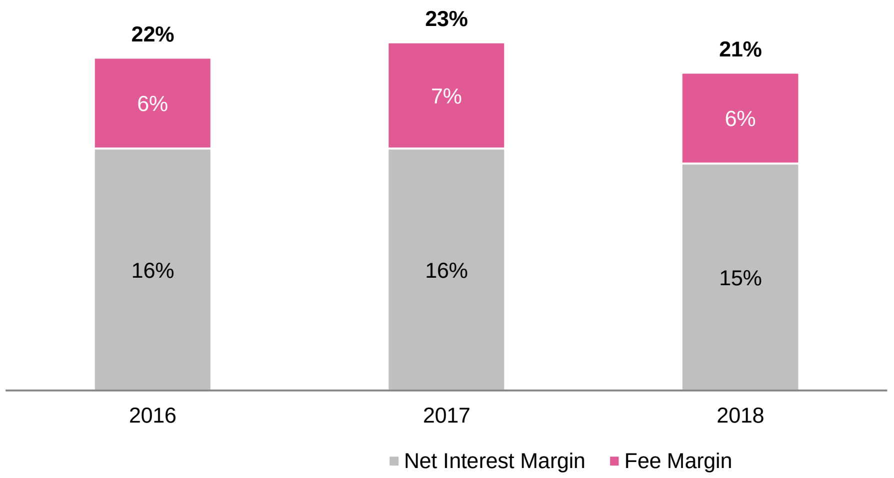
Notes: [1] – used annualised data for Russian Standard bank as of 9m 2018

Superior profitability and efficiency

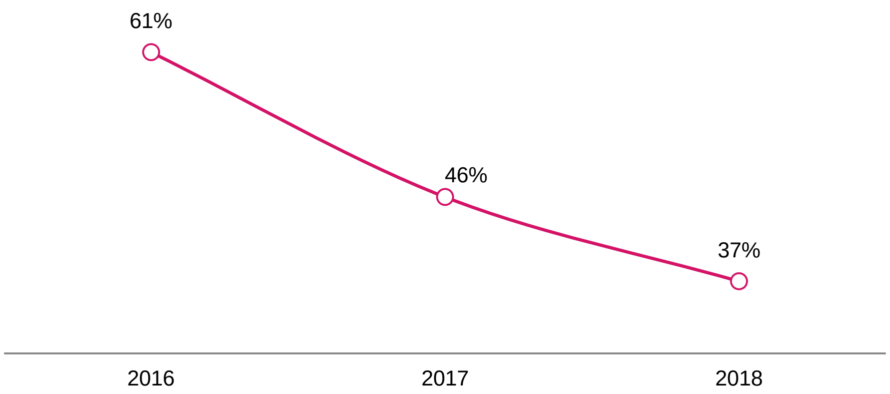
Revenue structure, ₽ bn



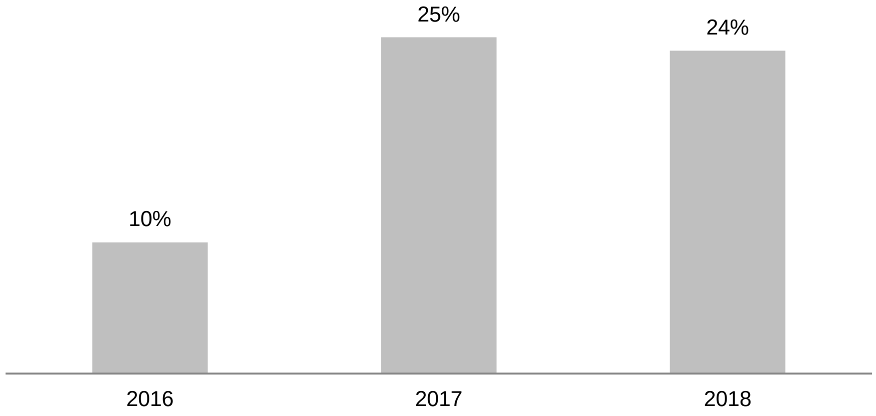
Net interest margin incl. fees, %



Cost to Income, %

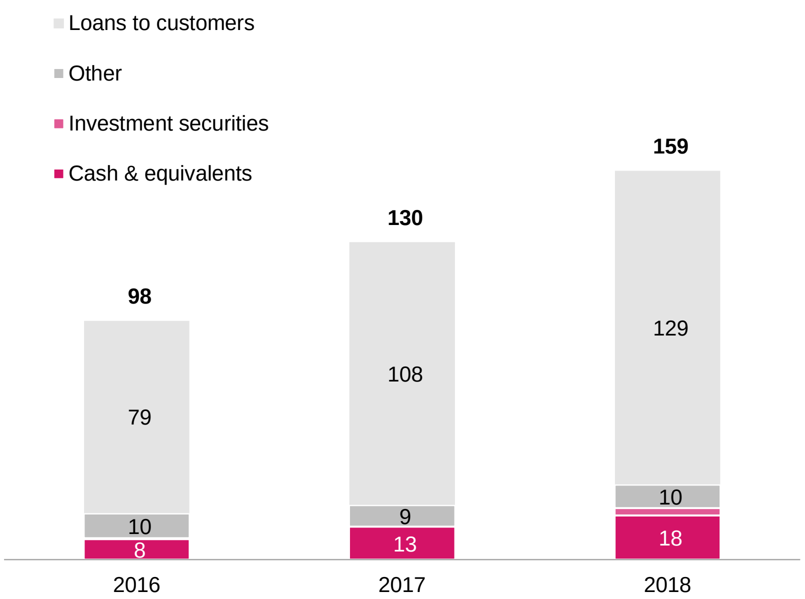


Return on average equity, %

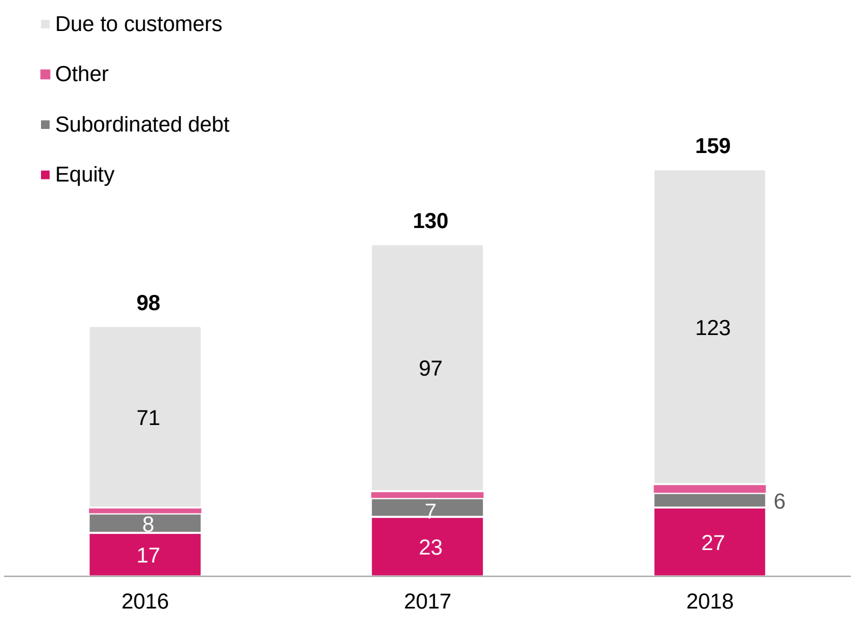


For the first time the bank's gross credit portfolio reached ₽138bn and retail deposits/accounts – ₽123bn

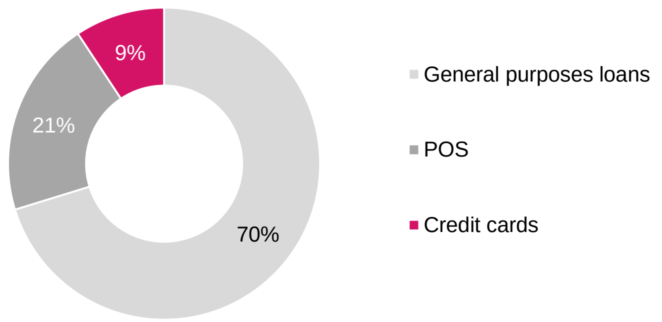
Assets, ₽ bn



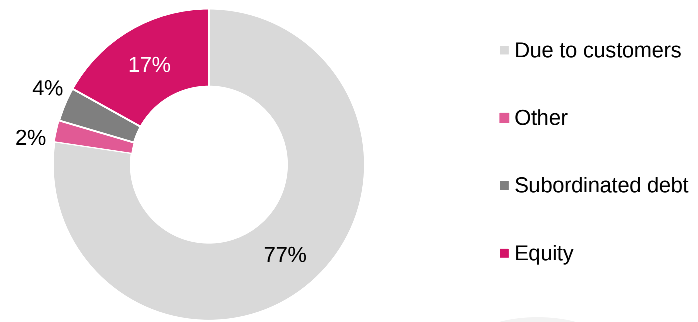
Liabilities, ₽ bn



Structure of gross loan portfolio at 31.12.2018



Structure of liabilities at 31.12.2018



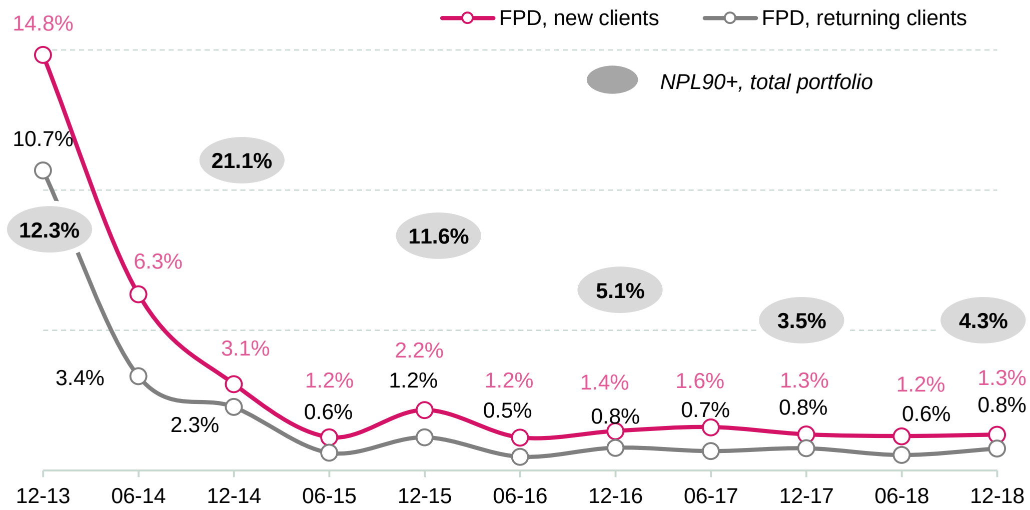
Net Loans / Deposits ratio 104.5%

Highlights

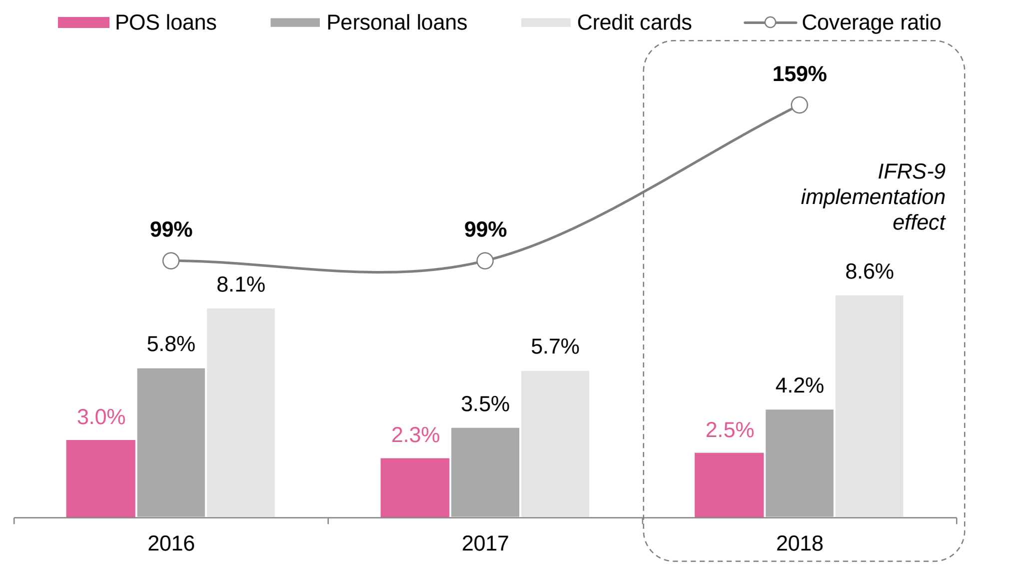
The level of non-performing loans past due more than 90 days (NPL90+) and first payment default (FPD) indicators have stabilised on a historically low level as a result of consistent improvements in the system of risk management:

- Fully automated credit decision engine based on sophisticated mathematical models and external sources of data
- Clients with doubtful credit history and increased credit load are cut off on a programme level
- Timely and swift shutting down of loss-making segments.
- Automated and highly sophisticated process of identification and investigation of fraud cases among clients and partners
- Complete collection cycle: prevention of past-due debts, remote debt collection, field debt collection, legal collection and involvement of 3rd party collection agencies. Advanced mathematical modes are used for distribution of cases between these stages
- Noticeable NPL90+ growth in credit card portfolio is *inter alia* the result of introduction of a new high margin product - cash card (launched only in 2017)

First Payment Default (FPD) for Cash Loans



Evolution of NPL90+ and NPL90+ coverage by products



Sustainably high capital adequacy ratios

Highlights

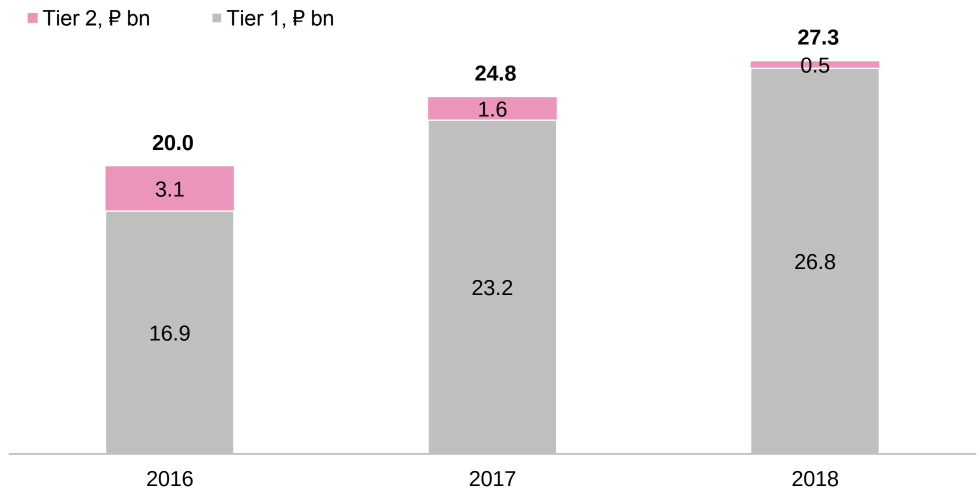
Capital management of the bank is based on long-term planning which takes into account current and potential risks and the following factors:

- Sales plan and corresponding expected evolution of the credit portfolio;
- Current and expected regulatory ratios (including surpluses to the capital adequacy ratios set by the Regulator);
- Current market interest rates, their historical and expected values.

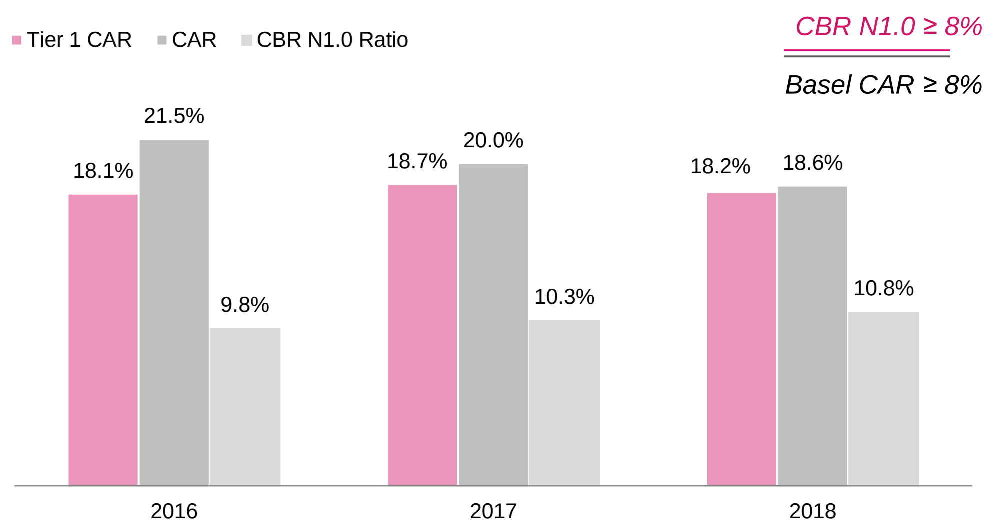
To ensure the capital ratios correspond to the Regulator requirements with a necessary safety margin the bank uses the following sources:

- Retained profit (when the current and expected market situation adjusted for the regulation inforce allows to do that);
- Shareholder support;
- Subordinated bonds (are the main source of additional capital). Subordinated debt will be fully paid off in May 2019 in accordance with the original repayment schedule.

Tier 1 and Tier 2 capital evolution, Basel



Capital adequacy ratios dynamics



Customer-centric business with a strong earning capacity

- **Revenue:** increasing the net interest margin generated by the credit portfolio as well as commission income
  - New debit/credit card product with a loyalty programme
  - Expanding the range of own and partner commission products for clients and partners
- **Business lines:** new business line - mobile broker services platform for clients
  - Share and bond trading
  - Foreign exchange
  - Capital protected structured products
- **Distribution network:** reformatting the distribution network with focus on automation of self-service area