

## Retail business



### 2007 YEAR. AWARDING THE BEST SALES MANAGERS IN RETAIL BUSINESS BUSINESS

Positive trends in retail banking sector started in 2011 and continued in January-September of last year. The first three quarters saw strong individual demand for a wide range of loan products, as people's income grew and the political situation in Russia stabilized. Significant growth of the retail loan book throughout the first three quarters enabled Bank Vozrozhdenie to meet the annual targets set in its financial plan for 2012, despite the deterioration in financial markets liquidity in the fourth quarter of the year.

## Lending

One of Bank Vozrozhdenie priorities last year was increasing the size of the retail loan portfolio while maintaining its quality. In 2012, the portfolio increased by RUB8.5 billion to RUB 32.9 billion, up 34.8% year-on-year. The main contributor to the rise was high demand for the Bank's mortgage products.

## Mortgages

In 2012, the Bank increased the volume of mortgage lending by more than a third, while keeping high quality of the portfolio

Bank Vozrozhdenie was one of the first banks in Russia that started to issue mortgages. In 2012, Rusipoteka research center ranked the Bank eighth in terms of the size of its mortgage portfolio. The Bank provides mortgages for the purchase of apartments and houses with land on the primary and secondary real estate markets.

In 2012, Bank Vozrozhdenie took several steps to widen the availability of mortgages and stimulate their issuance. Starting from April 2012, the Bank increased the age limit for borrowers under mortgage loans from 60 to 65 at the moment of the loan repayment. It also launched a collective insurance plan with insurance company SOGAZ, providing clients with a new option of insuring while receiving a mortgage from Bank Vozrozhdenie. In addition, the standard loan agreement for the purchase of an apartment on the primary market was amended with a provision allowing to fix the interest rate applied after the registration of the title on property. The maximum mortgage amount under the “Apartment” and “New Apartment” programmes was increased to RUB 15 million for borrowers in Moscow and St Petersburg, as well as to RUB 20 million under the “Country House” programme. At the same time, the Bank decreased the down-payment requirement for mortgages.

In 2012, the main channel for selling mortgages were partnership programmes with developers, realtors and real estate agencies. Around 80% of the loans granted during the year were issued in cooperation with them. In addition, the Bank was actively involved in various corporate and government programmes. In 2012, it continued to participate in the “social mortgage” programme of the Moscow City Housing Department. Over the year, around one third of the programme participants chose Bank Vozrozhdenie as their lender.

By the end of 2012, the total volume of mortgage loans issued by the Bank exceeded RUB 11.5 billion, up 34.8% year-on-year, while the total loan portfolio was up 45.0% to RUB 22.3 billion. The proportion of non-performing loans (NPLs) in the mortgage loan portfolio remains comfortably low: over the year it increased from 1.69% to 1.75%.

In December 2012, Bank Vozrozhdenie went into the first stage of the second mortgage securitization, totaling RUB 4.3 billion. In early April 2013, the deal was completed. The Bank placed A-class mortgage bonds for RUB 2.96 billion via an open subscription on MICEX. International ratings agency Moody’s assigned the issue with a long-term investment credit rating of ‘Baa3’. The Bank itself bought RUB 1.04 billion in B-class bonds via closed subscription. The securities will be redeemed in August 2045.

## **Consumer, car and credit card loans**

Last year, in the consumer and car loans segment, the Bank focused on customers with proven and stable income, such as users of payroll services and members of corporate programmes, employees of government organizations, and clients with good credit histories.

In 2012, Bank Vozrozhdenie intensified its efforts to develop the consumer loan portfolio. For example, in February, interest rates were reduced for the “Secured Loan” and “Unsecured Loan” products.

Over the year the Bank issued consumer loans totaling more than RUB 5.85 billion. Despite more relaxed loan conditions and lower interest rates, Bank Vozrozhdenie was able to keep the quality of its consumer

loan book high: the proportion of NPLs was equal to 3.4% as of the year-end.

The total portfolio of consumer and car loans together with credit cards rose by 17.5% to RUB 10.5 billion last year, while the share of NPLs fell from 6.32% to 4.76%.



2009 YEAR. FINAL OF THE COMPETITION "THE BEST BANK TELLERS"

## Deposits

Russians continued to save actively in 2012, and the Bank's portfolio of private deposits evidenced steady growth, by RUB 9.2 billion overall. At the end of 2012, the Bank's retail deposit portfolio exceeded RUB 81.0 billion, up 12.3% year-on-year, while the number of customers stood at 290,000.

Bank Vozrozhdenie's main focus has been on attracting long-term ruble deposits: by the end of 2012 they had increased by over RUB 8 billion with a 63% share in the retail deposit portfolio. The share of deposits raised with maturity over one year accounted for 70%.

In 2012, the Bank provided preferential terms for deposits of individual customer groups: payroll programme participants, pensioners and government employees. Interest rates on such terms were by 0.2-0.3 percentage points higher than those of a similar standard deposit.

In 2012, the Bank's retail deposit portfolio increased by 12.3% and accounted for 49.4% of customer accounts.

Last year, the Bank increased deposit rates three times, adjusting them to market trends and its own needs

in terms of volume, term and currency of funds. The most significant rates increase was made on the fourth quarter and affected long-term deposits. At the end of the year, the Bank cut rates on deposits in US dollars and euros due to its low need for FX funds. In 2012, the ruble deposit portfolio rose by RUB 8.2 billion (up 17.1%) to RUB 56.6 billion.

Seasonal deposits enjoy popularity among our clients, making up 41% of the retail deposit portfolio. The Bank's customers can top up the deposit around the clock via ATMs, internet and mobile phones, as well as by depositing payrolls, pensions and other proceeds directly to savings accounts. Retail customers can pay for utilities, telecommunications and other services, redeem loans, and make payments to businesses and individuals. Depositors with seasonal deposits get Bank Vozrozhdenie debit cards with free service for the whole period of the deposit.

Last year, deposits from RUB 700,000 to RUB 1 million and those over RUB 1 million experienced the strongest growth, of 26% and 15% respectively.

In 2012, the Bank also increased interest rates on the Momentary deposit, encouraging clients to make deposits via its ATMs and "Vbank with you" online service.

## **Payments and transfers**

One of the Bank's priorities last year was enhancing fee income. In 2012, income from payments and transfers amounted to RUB 360 million and the number of transactions exceeded 16.3 million. The largest contributor was remote banking channels (POS, "regular payment" service), which delivered RUB 19.7 million in income, up 23% for the year. Today, settlement services are available to the Bank's customers in 148 sales offices and self-service facilities, including 828 ATMs.

In 2012, Bank Vozrozhdenie continued to develop its network of payment terminals encouraging customers to switch to self-service for small transactions. It also helps to improve the speed of servicing in the offices. At the year-end, the Bank had 58 such terminals. In 2012, the terminal network carried out 335 million payments to more than 1,000 different organizations.

An important event in 2012 was launching a partnership programme with CyberPlat system, the largest integrator of individuals' payments in Russia and CIS. In 2013, Bank Vozrozhdenie is planning to give customers access to services of such market leaders in international money transfer systems as Unistream and Zolotaya Corona. All these developments are expected to drive healthy growth of the Bank's fee income in 2013 and in the longer run.

## **Cross-selling**

The Bank adheres to individual approach to its clients when preparing proposals, and it is reflected in the whole communications process. The most important factor in boosting cross-selling is personalized retail programs for major corporate clients. For instance, the share of loans to participants of payroll programs rose to 67% in the Bank's total consumer portfolio thanks to targeted sales of such products.

When working with retail clients, the Bank actively uses SMS distribution and phone calls to inform clients — users of payroll services and employees — about special corporate lending programs, seasonal deposit products, changes in offices' business hours, installations of new ATMs, and visits of Bank managers to partner companies. Over the year, remote targeted consultations resulted in 2,400 transactions for over RUB 2 billion. Overall, the Bank's Contact Center has conducted more than 40,000 "inbound" consultations, generating RUB 1.1 billion in loans.

Last year, the Bank rapidly expanded its online service for preliminary calculation on loan and deposit products. This channel supported issuance of loans for RUB 917 million in 2012, up 58% year-on-year.

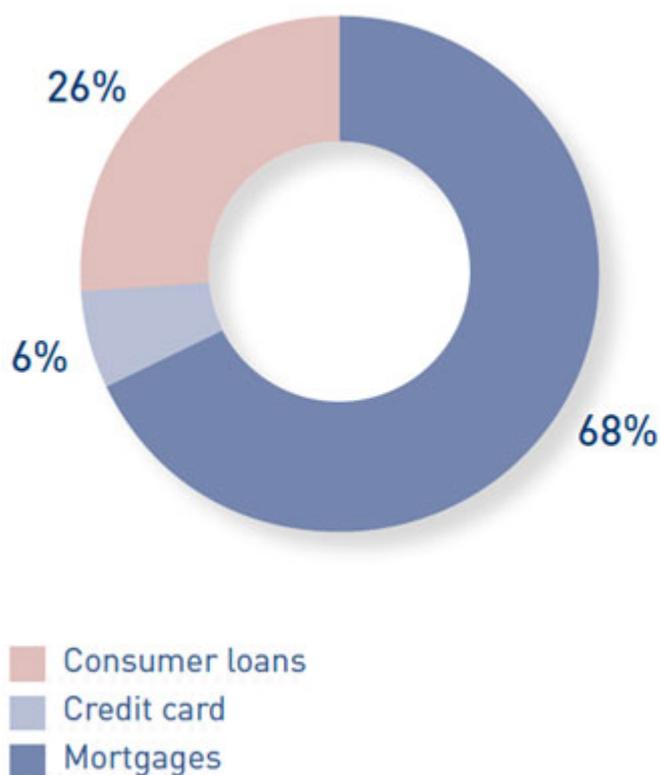
## Retail business development priorities

In 2013, the Bank will continue to actively develop all areas of its retail business. Work on raising customer funds will focus on sales of long-term ruble-denominated deposits, and the target is to increase the total deposit portfolio by 15%. In 2013, the Bank intends to remain a major player in Russia's mortgage market and to widen its mortgage portfolio to RUB 30.2 billion, including securitized loans. Total consumer and car loans portfolio is expected to grow to RUB 11.5 billion by the end of 2013.

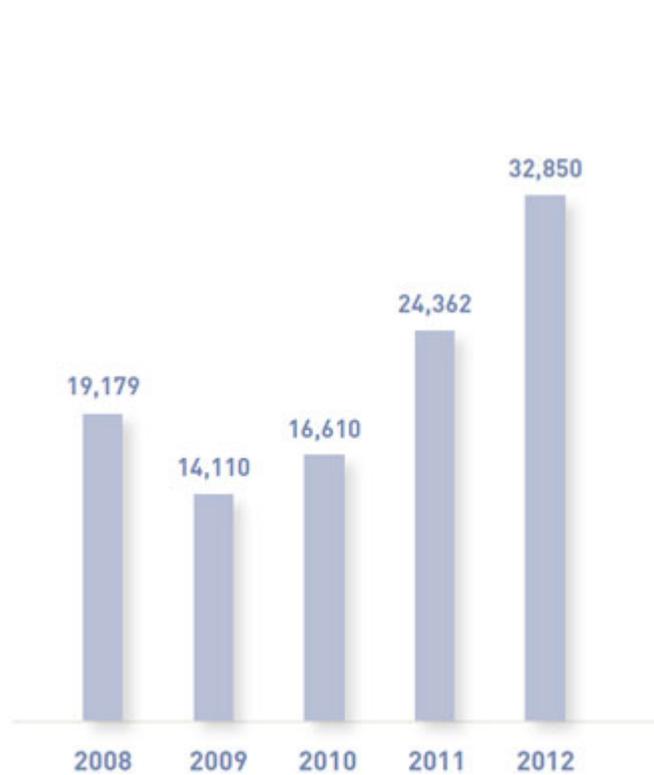
In addition, Bank Vozrozhdenie aims to increase revenues from retail settlement services, supported by centralized projects to install payment terminals in the offices of government agencies in the regions where the Bank has presence.

Cross-selling will also remain in focus in 2013. This will not only increase revenues and the penetration of the Bank's products, but also ensure greater customer loyalty.

### Breakdown of retail portfolio, 2012.



### Retail loan portfolio\*, RUB million



\* Before provisions, including securitized mortgages and credit card lending.

### Individual deposits, RUB million

### Retail loan portfolio quality

