



## Strategic Priorities 2018 – 2020

Investor Day, Moscow, April 19, 2018

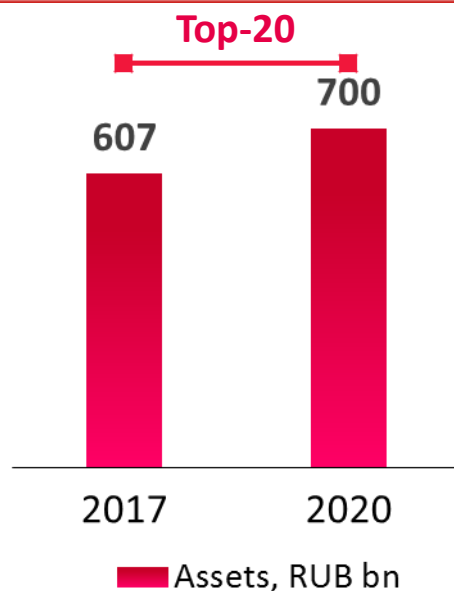
# Strengths behind our strategy



# Key Strategic Targets 2020

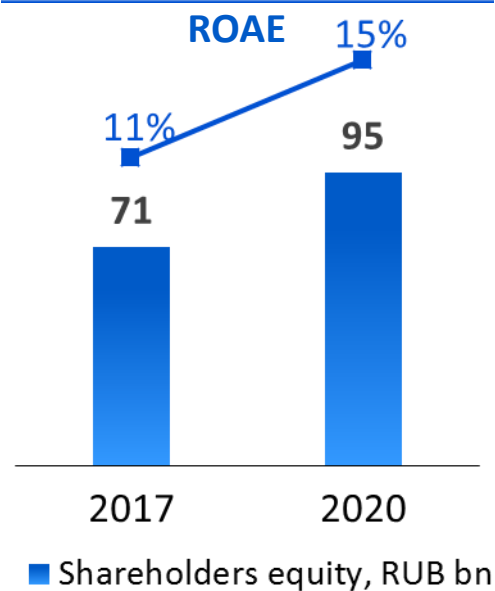
Maintain growth rates to retain Top-20 position in Russia

## Business scale retention



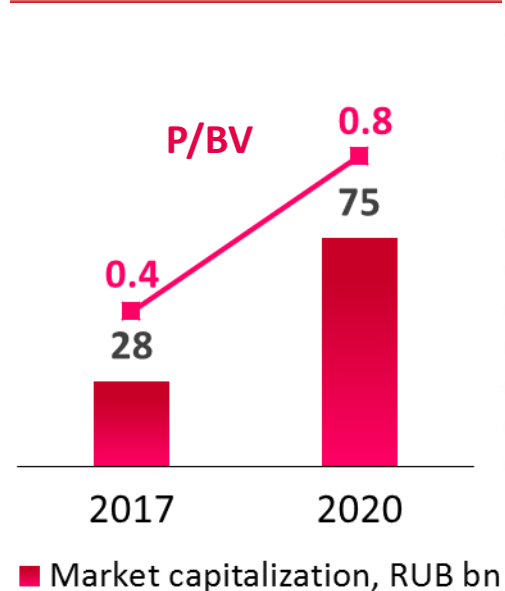
Achieve a sustainable return on equity 15%+

## ROAE growth



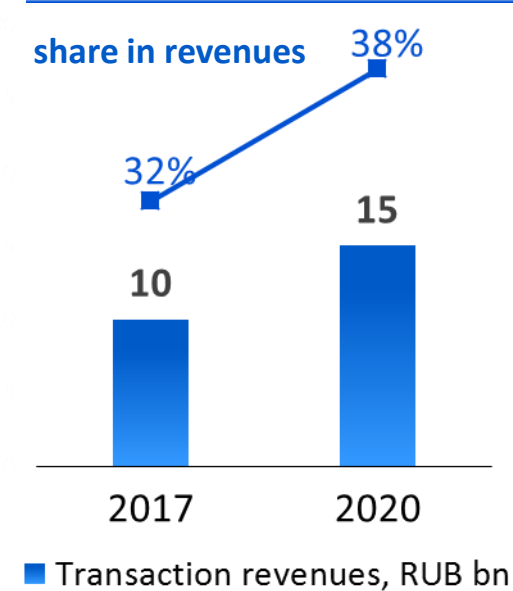
Triple the Bank's market capitalization to RUB 75 bn

## MCAP increase



Increase revenues from transactions by 50%

## Transaction revenues



# Key Strategic Issues

## Geography

- ✓ The Bank does not intend to expand beyond its current areas of presence: St. Petersburg, Leningrad Region, Moscow, Kaliningrad

## Capital

- ✓ Profit is the main source of capital growth.  
No plans for share issues.
- ✓ The Bank intends to maintain at least 20% payout ratio (RAS)
- ✓ Target CAR (RAS, Basel III):  
Total capital - not less than 11.2%,  
Tier 1 capital - not less than 9.0%

## M&A

- ✓ The Bank follows an organic growth strategy, however potentially attractive M&A transactions are possible

## Staying public

- ✓ The Bank remains public and upholds the best practices in investor relations

# Key Strategic Issues

## Customer base

- ✓ The Bank is expanding its mass segment (retail and corporate) customer base
- ✓ Customer deposits remain the major source of funding (target L/D ratio < 100%)

## Lending

- ✓ Main focus on corporate loans in the regions of presence
- ✓ Looking for new retail lending segments
- ✓ Maintaining moderate risk appetite with target cost of risk below 2%

## Profitability

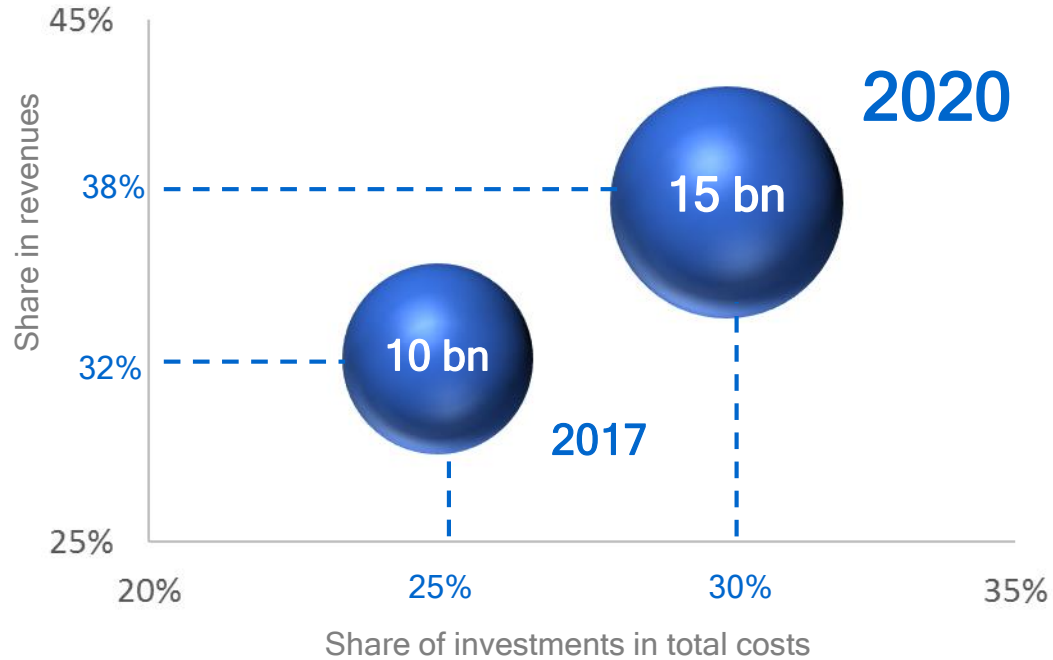
- ✓ Higher profitability due to focusing on (risk free) transaction business and boosting corporate lending
- ✓ Improving cost efficiency: operating costs increase not more than 5% with maintaining target CIR 40%

## Investments

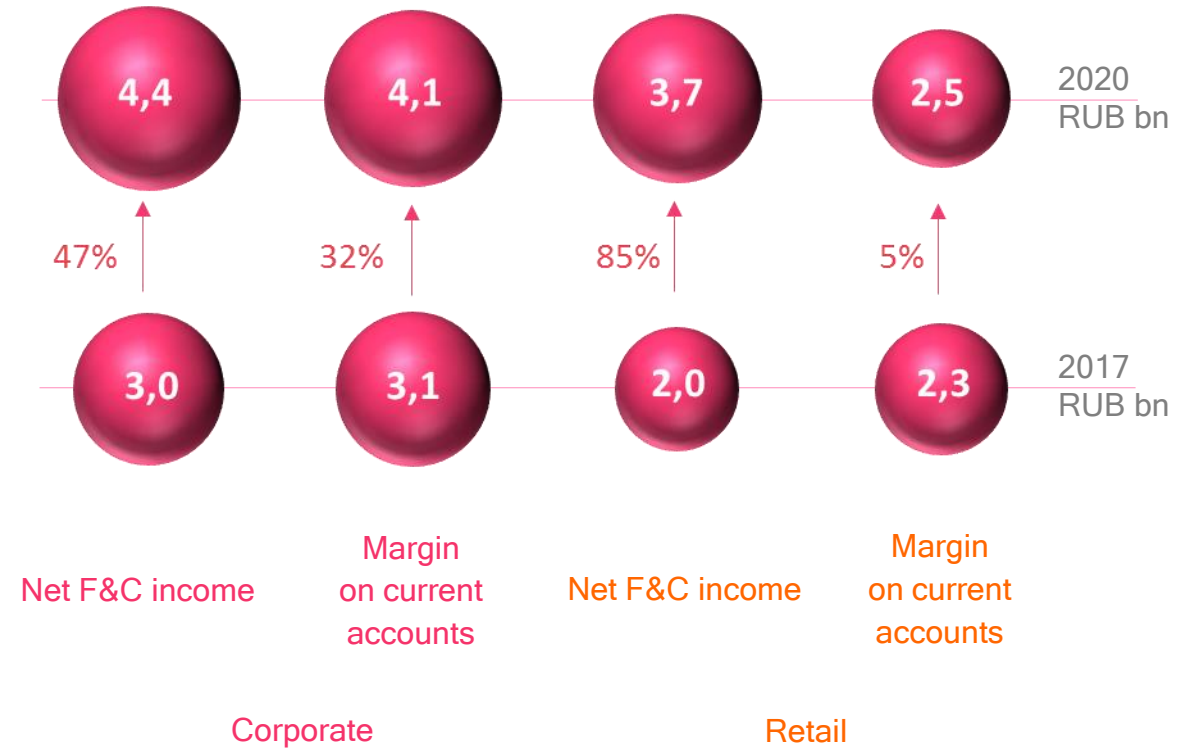
- ✓ The Bank reduces costs associated with “old” (brick-and-mortar) banking in favor of the “new” (online) banking concept
- ✓ The Bank ensures fast copying of digital solutions
- ✓ Transaction business is an investment priority

# Transaction business as a key point of the Strategy

## Transaction revenues



## Points of growth



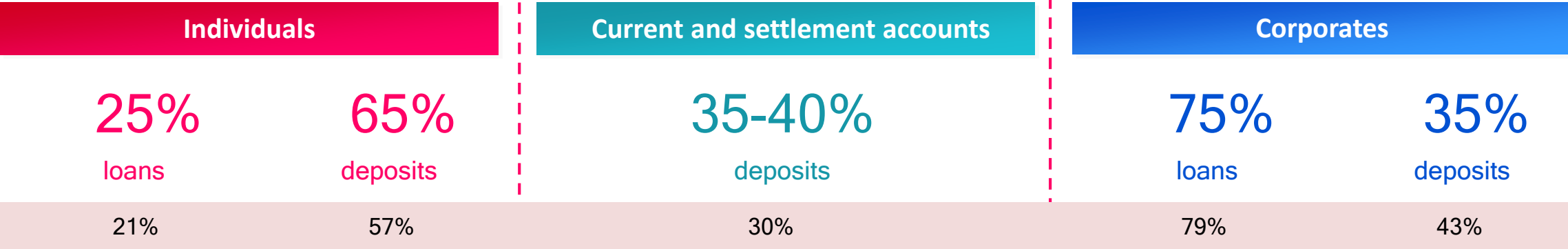
\* Transaction revenues = Net F&C income net of commissions on guarantees and commissions for the issuance of loans + margin on current accounts

# Business model 2020

FY 2017

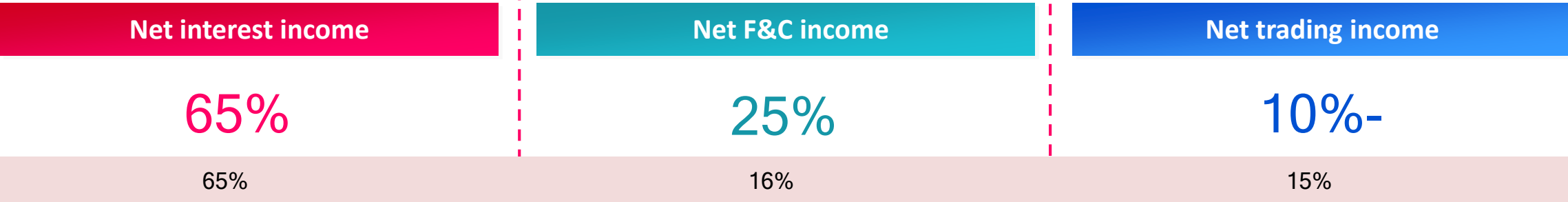
## Balance sheet structure

L/D ratio < 100%



## Revenues structure

Cost-income 40%



Transaction bank

# Actions to Achieve 2020 Strategic Targets

## Corporate Banking

- ✓ Share of the high quality and low margin corporate loans growth
- ✓ Building key sector expertise
- ✓ Increasing the speed and quality of service in the small business segment: + 7,000 new customers of the settlement bank
- ✓ Easy entry for new corporates
- ✓ Increase the number of products per customer

**+ RUB 32 bn**

corporate loans

**+ RUB 25 bn**

settlement accounts

**+ 50%**

F&C income

2020 / 2017



# Actions to Achieve 2020 Strategic Targets

## Retail banking

- ✓ Maximum digitalization of sales and services
- ✓ Consumer lending and credit cards share growth: from 20% to 28% of retail loan book
- ✓ To retain leadership in mortgage lending
- ✓ Main focus on the key profit generating segments:
  - + 100 000 of new payroll customers
  - + 100 000 of new individual transactors
- ✓ Focus on customer loyalty and NPS growth

**+ RUB 40 bn**

retail loans

**+ RUB 15 bn**

current/demand accounts

**+64%**

F&C income

2020 / 2017

# Actions to Achieve 2020 Strategic Targets

## Trading business

### Flow and commission income

Significant increase in transaction volumes

- ✓ Increase of financial products cross-selling to the borrowers
- ✓ Asset management development. New investment products

### Proprietary trading

- ✓ In case of inflation and key rate decrease expectations - the maintenance or even possible increase of debt securities portfolio
- ✓ In case of Eurobonds yield growth – increase of these investments

**37% → 50%**

share of flow income

**RUB 3-4 bn per year**

aggregate trading income

2020 / 2017

# Actions to Achieve 2020 Strategic Targets

## Costs Management

### Sales Channels Optimization

- ✓ Reduction of the branch network in St. Petersburg by 20%
- ✓ Remote sales channels activation

### Operating expenses optimization

- ✓ Functions and processes audit with the subsequent headcount optimization
- ✓ Redistribution of costs in favor of the IT development

### Supporting the Transaction Bank Strategy

- ✓ Marketing costs growth

**no more than 5%**

annual costs growth

**40%**

Cost-income ratio

**RUB 1.5 → 2.5 bn**

investment program per year

2020 / 2017

# Key Financial Indicators

	RUB bn	2017	2020
Loan portfolio		358	431
corporate loans		282	314
loans to individuals		76	116
Customer deposits		360	479
corporate deposits		155	199
retail deposits		206	280

2020/2017	Δ
20,4%	73
11,3%	32
52,6%	40
33,1%	119
28,4%	44
35,9%	74

	RUB bn	2017	2020
Core Banking NII		21,6	25,2
Non-interest income		6,6	11,3
Aggregate trading income		4,9	4,0
Revenues		33,2	40,5
Operating expenses		-13,5	-15,6
Provisions		-9,6	-7,0
Net income		7,5	13,5

2020/2017	Δ
16,7%	3,6
69,4%	4,6
-18,4%	-0,9
22,0%	7,3
15,6%	-2,1
-27,1%	2,6
80,0%	6,0

Cost-Income	40,6%	38,5%
Cost-of-Risk	2,7%	1,7%
CAR Tier 1 (Basel III, RAS)	10,1%	10,8%
Core Banking Margin	6,0%	5,9%
ROAE	11,4%	15,0%