Ratings: ACRA BBB-; S&P B-; Moody's B3

5 October 2017

- **Summary**. 2016-1H2017 has become another milestone period in the history of the bank. The management team has again proved its ability to adapt the business model to the most fundamental changes in the macroeconomic environment and implemented a number successful measures which ensured stable operations of the bank.
- **Net result and quality of assets.** Starting from April 2016 the bank again generates positive net result. IFRS profit for 2016FY equaled ₽ 1.5 bn, for 1H2017 - ₽ 1.9 bn.
- **Quality of assets.** Share of NPL90+ as at 30.06.2017 reduced down to 4.1% which is more than 5 times below the level of 2014YE.
- **Risk management.** Starting from 4Q2013 the bank has been changing its risk policies to reduce credit losses in new origination – these changes comprise client verification and credit decision processes, scoring models, rejection of some high-risk distribution channels. As a result the quality of new origination has materially improved.

  For example, the first payment default (FPD) for general purpose loans (the key product of the bank) issued to new-to-bank customers has reduced from 14.82% as at 31.12.2013 down to just 1.55% as at 30.06.2017.
- **Portfolio and origination.** Stagnation of portfolio and origination in 2014-2015 due to deteriorating market conditions, tighter CBR regulation and considerable growth of debt burden of the Russian population. At the same time the bank has succeeded to materially improve the quality of new origination after a complete overhaul of its credit policies. The structure of the credit portfolio has changed insignificantly with a shift towards POS loans. As at 30.06.2017 the share of GP loans equaled 63%, credit cards – 8%, POS loans – 27%.

  Distribution network. The bank continues to develop the network via distance formats where no its employees are present. While the branches serve as fulfillment hubs of leads generated in the city of presence and neighborhood towns. During 6/2017 the number of branches and POS reduced in line with the strategy of optimisation of distribution network

Key Performance Indicators, IFRS[1]

RUR bn	2015	2016	6/2017
Origination volume	64.9	89.0	55.8
Interest and fees revenue	29.3	23.9	13.5
Net interest income	6.9	11.8	7.3
Net profit	(5.1)	1.5	1.9
Loans to customers*	63.8	79.0	87.8
Total assets	115.1	97.8	108.4
Due to customers	79.1	71.0	78.2
Debt securities and FIs	20.4	7.9	7.7
Equity	13.5	16.9	20.1

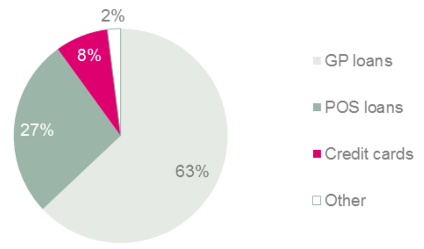
** Net of reserves*

Key Ratios

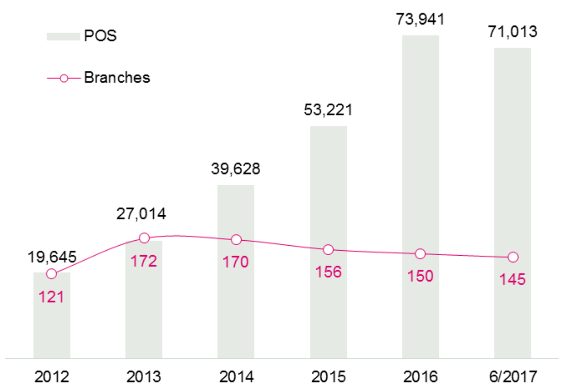
%	2015	2016	6/2017
Net Interest Margin *	16.7	22.1	25.0
Cost / Income	58.2	61.0	48.5
CAR	23.2	21.5	23.3
ROAE	(44.7)	9.8	22.5
ROAA	(4.3)	1.5	4.0
NPL 90+	11.6	5.1	4.1
NPL 90+ coverage	111.9	99.5	98.3

** Including fees*

Structure of credit portfolio as at 30.06.2017



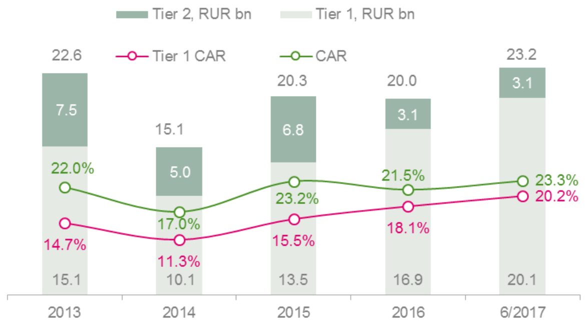
Distribution Network



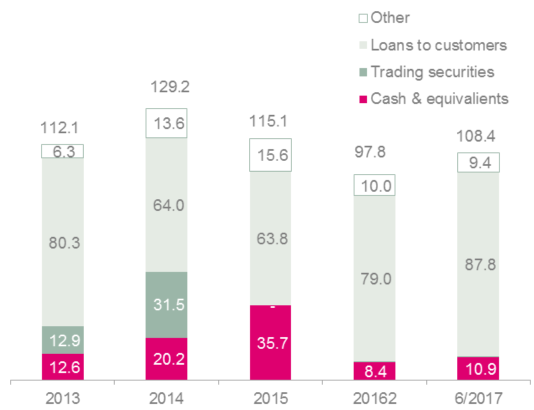
[1] Hereafter: IFRS reporting audited by E&Y

- **Funding and capital adequacy.** The bank has a track record of successful subordinated debt issues:
  - December 2012: $100mn subordinated Eurobond issue (matures in June 2018)
  - February 2013: $50mn subordinated Eurobond top up (matures in June 2018)
  - November 2013: subordinated $100mn Eurobond maturing in May 2019
- Track record of shareholder support (RUR 8.6 bn contributed during 12M2015 and RUR 1.3 bn during 2016) needed due to regulatory changes by the Central Bank of the Russian Federation and lower repayment discipline in 2014 - 2015.
- Sustainably high capital adequacy ratios despite the recent decline on the back of general market trends:
  - N1 ratio of 10.6% as of 30.06.2017 is in line with the regulatory requirement of CBR of 8.0%
  - Total CAR Basel of 23.3% significantly exceeds 8.0% threshold
- **Ratings.** On 2 October 2017, Analytical Credit Rating Agency (ACRA) has for the first time assigned BBB-(RU) credit rating to Renaissance Credit with Stable outlook. According to the agency, the credit rating is based on satisfactory capital adequacy, satisfactory risk profile, and adequate funding and liquidity positions of the bank.
- When assessing the risk profile of the bank, the agency points out a material reduction in the level of non-performing loans. At the end of 1H2017, the share of NPL90+ in total portfolio decreased to 4.1%, which came as a result of tight and effective credit policy and material improvement in the quality of loan portfolio.

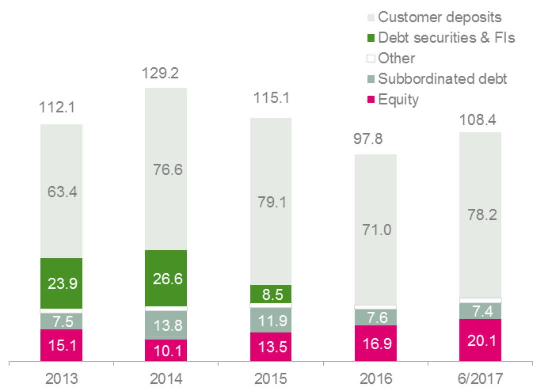
Capital Adequacy



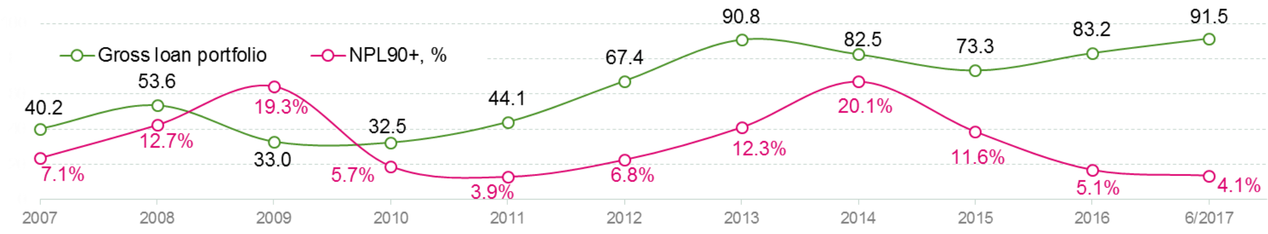
Structure of Assets, RUR bn



Structure of Liabilities, RUR bn

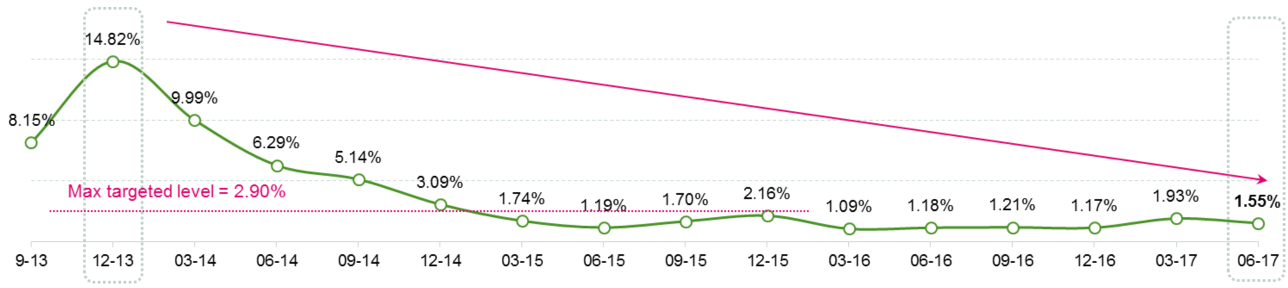


Evolution of gross credit portfolio and non-performing loans past due 90+ days (NPL90+)



- Vintages and credit performance in 2015-2017 has benefited from tighter approval rates and strengthened credit risk management.

Evolution of First Payment Default ratio for GP NTB Loans (general purpose loans to new-to-bank customers)



- Starting from 4Q2013 the Bank has been changing its risk policies to reduce credit losses in new origination – these changes comprise client verification and credit decision processes, scoring models, rejection of some high-risk distribution channels. As a result the quality of new origination has materially improved.

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