Key Performance Indicators (KPI)

Vozrozhdenie Bank is monitoring achievement of target KPIs on current basis which is aimed at advancing efficiency and effectiveness of operations in all key areas.

Our Goals	KPIs	Progress for 2013	Target KPIs for 2014	Progress for 2014
Balanced credit and resource policy	**Net interest margin** – the ratio of net interest income to average assets	4.5%	4.5%	4.6%
	Asset growth – dynamics of the balance-sheet volume	1%	5–6%	8%
	Loan-to-Deposit ratio – ratio of the loan portfolio before provisions to client funds (corporate and retail)	104%	100% ± 10%	98%
	Liquid asset share – ratio of liquid assets (cash, cash equivalents and liquid securities) to total assets	20%	17–18%	25%
	RUB/FX ratio in the balance-sheet – ratio of RUB assets and RUB equivalent of FX assets	82/18	80/20	78/22
Robust risk management	**Provisions/NPLs 90+** – ratio of provisions for loan portfolio impairment to loans in arrears for more than 90 days	108%	120%	115%
	Cost of risk – ratio of allowances for loan portfolio impairment to average loan portfolio before provisions	2.3%	<2	1.9%
	Total Capital Adequacy in accordance with Basel III (N 1.0.) – ratio of capital to risk-weighted assets calculated in accordance with Basel III requirements	11.2%	At least 11%	12%

Comments on KPI Results	Goals for 2015	Target KPIs for 2015	Risks
The target level was exceeded, driven by a solid growth in interest income and control over funding costs	Maintaining a reliable balance-sheet structure with a comfortable share of liquid assets and a prevailing share of RUB instruments to generate the target net interest income	4–4.5%	▪ Growth in funding costs ▪ Weak loan demand ▪ Escalation of credit risks amid deteriorating macro environment
Target exceeded due to positive currency revaluation and expanding the volume of liquid assets		3–5%	▪ Lending slowdown ▪ Client funds shortage ▪ Capital shortage ▪ FX fluctuations
Within the target range due to client funds outperformance		100% ± 5%	▪ Outflow of client funds ▪ Lending slowdown
Due to high uncertainty, the bank increased the share of liquid assets mainly with highly liquid securities, cash and cash equivalents		At least 18%	▪ Outflow of client funds ▪ Liquidity shortage in the market
RUB collapse resulted into increase of share of FX-nominated instruments in the balance-sheet that was partially offset by a reduction in volume of FX assets		80/20	▪ RUB devaluation
Over 100% coverage due to a conservative provisioning policy with timely recording of NPLs	Maintaining adequate coverage for NPLs and credit quality control while keeping adequate capital position	>100%	▪ Deteriorating financial standing of borrowers amid negative macroeconomic trends
Allowances to provisions at the target level amid high level of uncertainty		2–2.5%	▪ Deteriorating financial standing of borrowers amid negative macroeconomic trends
Enhanced capital adequacy with a moderate growth of risk-weighted assets		At least 11%	▪ Low returns, with limited additional sources of capital support ▪ Expansion of allocations to instruments with higher risk level

Key Performance Indicators (KPI)

Our Goals	KPIs	Progress for 2013	Target KPIs for 2014	Progress for 2014
Servicing corporate clients at every stage of business development	**Corporate loan portfolio growth rates** – dynamics of net corporate loan portfolio	3–4%	4–5%	–3%
	Share of SME in corporate loan portfolio. SME segment includes legal entities and individual entrepreneurs with credit exposure less than RUB 750 million	58%	60%	55%
	Share of microbusiness in the corporate loan portfolio. Microbusiness under this project includes legal entities and individual entrepreneurs with an average monthly revenue and credit exposure below RUB 15 million as well as other SMEs by the decision of the branch	0.9%	2.2%	1.6%
Servicing retail clients at every point in the lifecycle	**Retail loan portfolio growth** – dynamics of retail loan portfolio before provisions	30%	13–15%	8.4%
	Mortgage portfolio growth – dynamics of the mortgage loan portfolio before provisions including securitised mortgages	32%	11–13%	7.9%
	Cross-sales ratio – number of products per client	1.1	3	2.7
Increased operating efficiency	**Cost-to-Income ratio** – the ratio of operating costs to operating income before provisions	59.9%	58–60%	65%
	Operating expenses growth – dynamics of operating expenses	1.4%	10–15%	7%
	Share of non-interest income in operating income – the share of net non-interest income in operating income before provisions	35%	35–40%	32%

Comments on KPI Results	Goals for 2015	Target KPIs for 2015	Risks
Tougher lending standards and reduction of quality demand in the economic recession environment led to a portfolio reduction in 2014	Servicing clients at every stage of business development. Further business diversification with a focus on SME and development of fee-generating products	3–4%	▪ Escalation of credit risks amid deteriorating macro environment
Reduction of SME loans due to a stricter lending policy and high portfolio turnover with an increase of large business share driven by FX revaluation		60%	▪ Slowdown of portfolio growth ▪ Increase in the share of large businesses, with weakening RUB
Slowdown of growth in deteriorating economic environment		2.7%	▪ Deteriorating financial standing of potential borrowers ▪ High level of uncertainty in the system
Although the retail portfolio was the main driver of expansion, growth was slightly below target due to fluctuations of market rates and a conservative lending policy	Maintaining high credit quality Development of target cross-sales to target client segments Active use of remote service channels	4–5%	▪ Deterioration of financial standing of borrowers and reduction of real disposable income
Growth slightly below target given early repayments in securitised mortgage portfolio		1–3%	▪ Deteriorating situation in the real estate market ▪ Subdued effective demand
Cross-sales increase driven by the launch of Campaign Management solution		3.5	▪ Reduced economic activity among general public ▪ Increased competition
Due to worsening recession that sped up inflation and triggered sharp devaluation of RUB versus USD and EUR and slowing down of business activities growth of operating income was below target. Operating expenses growth mostly resulted from continued investments in operating efficiency project and expanding the sales network against a backdrop of growing inflation rates	Continued optimisation of the operating model subject to strict control of expenses and reinforcement of the income component through fee-generating products	65%	▪ Slowdown of optimisation project ▪ Declining incomes ▪ RUB devaluation
		Less than 10%	▪ Need for increasing infrastructure investments above the planned ▪ RUB devaluation
High competition as well as decreasing level of fees at the market and low business activity combined with positive changes in interest income pressed the indicator down		30–35%	▪ Low business activity ▪ New client engagement rates are below planned ▪ Further overall reduction of fees level in the sector