

# VTB24 Is No Socialist Bank, Its President Says

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VTB Group laid out ambitious expansion plans Tuesday, with its retail banking expected to grow faster than the market in the next three years.

Every fifth bank customer will use the group's services, VTB24 head Mikhail Zadornov said at a news conference Tuesday. About 20,000 of whom will be dollar millionaires and together they will contribute \$3.1 billion — about 50 percent — to the group's net profit by 2016, he added. VTB24 is VTB's retail banking unit.

While expecting steady growth in all market segments, the bank aims to become a leader in private banking, providing premium banking services to high-income earners.

VTB24 expects to double its personal loan customer base, counting on unsecured cash loans and credit cards to drive the growth and expecting customers to make timely repayments.

"We have no socialism [at our bank]," Zadornov said. "A person who takes out a loan must pay it off. For us, the problem [of defaulting customers] as such doesn't exist," he added.

Alexei Kapustin, head of retail products at Raiffeisenbank, confirmed that unsecured loans had been the major drive in retail banking for two years.

"We expect that the trend will continue and the growth rate of unsecured loans in 2013 will reach 20-30 percent," he said.

VTB banking group expects that "though moderately," the Russian economy will continue to grow, supporting the banking business.

"We don't expect any crisis or negative changes on the horizon. We are absolutely sure that Russian citizens and small businesses have not yet experienced consumer market boom and we expect that product consumption will grow together with the small business in the next four to five years," he added.

The bank expects inflation to decrease, followed by an interest-rate reduction making the cost of borrowing more affordable. This will result in a larger number of people requiring banking services.

"Here we trust the monetary policy of our government," Zadornov said.

In the next few years, the share of the affluent and emerging affluent segments will increase at the expense of the mass market segment, which will reach its saturation point in the next two years, he said. Only the banks that are prepared for this change will be able to survive it.

Elman Mekhtiyev, a member of the executive board at GE Money Bank agrees.

"While prior to the 2008 crisis, the main consumers of banking services were people from the mass segment, now the bank's task is to increase presence in the affluent and emerging affluent segments," he said. "Such repositioning is required by the process of consolidation on the [banking] market and the increasing presence of state banks on the consumer loan market."

It is obvious that only careful positioning in the most profitable market segments can help middle-sized banks to compete against the giants, he said.

The VTB group of banks, which includes VTB24, the Bank of Moscow, Leto Bank and TransCreditBank, plans to achieve these financial goals by modernizing of sales channels and providing a more customer-focused service.

In the next three years, the number of VTB24 front offices will reach 1,250, bringing the total number for the whole group to 2,250, not including the Bank of Moscow. The number of online bank subscribers is expected to reach 4 million, and special attention will be paid to private banking customers.

VTB24 has successfully reached its 2009-2012 targets, increasing net profit ninefold to 45 billion rubles (\$1.4 billion) and adding 11.2 percent to its market share, while most of other universal banks in Russia experienced stagnation, Zadornov said. The bank's retail loan

portfolio increased 2.7 times and retail deposit portfolio increased 2.9 times, reaching \$31.2 billion and \$37.4 billion, respectively.

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