

# 9m2021 Financial and Business Results

18 November 2021

# Today's presenters



**Eric de Beauchamp**

Senior Vice President  
Head of IR



**Vladimir Chubar**

Chairman of the  
Management Board



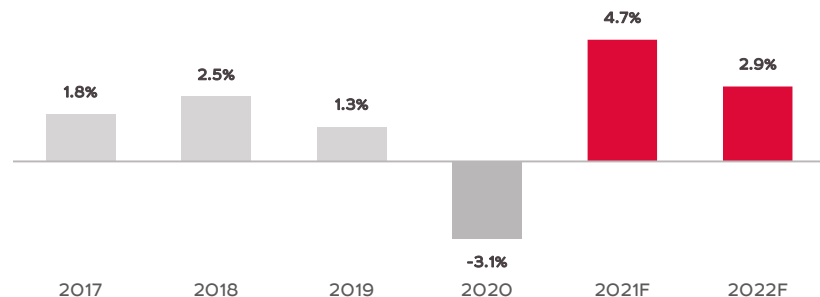
**Mikhail Pavlov**

CFO

# Macro environment overview

## Russian GDP is expected to recover

Real GDP growth, %<sup>(1)</sup>



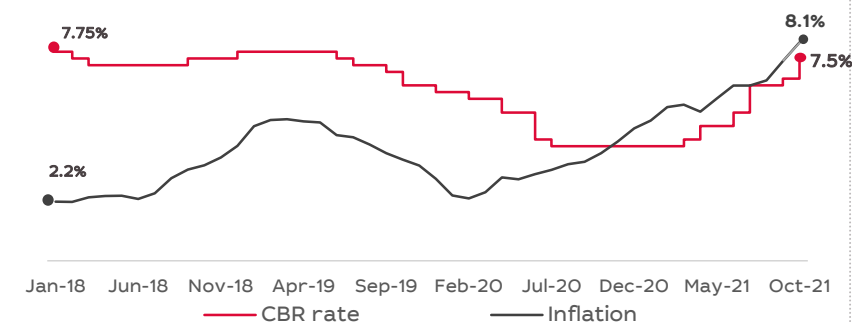
## Oil prices have reached pre-COVID levels

Brent price, \$/bbl<sup>(2)</sup>



## CBR inflation targeting policy

%



- **4.7% GDP growth rebound** is expected in 2021. In Oct, 2021 the IMF has revised up its growth projection for Russia for this year
- Benefiting from **oil price recovery** and **surging prices for wide range of commodities**
- CBR expects **the inflation at the level of 7.4-7.9%** by the end of 2021 and **the key rate at average level of 7.3-8.3%** in 2022
- Recovery of investor flows into EM, Russia's **iMOEX index new peak** in Oct. 2021
- **Additional Government Measures for Business & people support** aimed at mitigating economic effects of the pandemic (RUB38.5 bn for SME in Oct.2021)
- **Lowest public debt level** in CIS+ region (16.4% of GDP<sup>(1)</sup>) and **c.US\$ 615 bn FX reserves** (October 2021) exceeding the entire external debt stock of Russia

# Corporate and business Development

## CREDIT RATINGS

- In July, S&P Global Ratings **upgraded** its Issuer Credit Rating on MKB to '**BB**', with stable outlook
- In September, Fitch Ratings **assigned** "**BB(EXP)**" to contemplated USD350m MKB Eurobonds
- In November, National Rating Agency (NRA) assigned **AA-lrul** with "Stable Outlook"

## RANKINGS



- **TOP-5** arranger in Russia<sup>(1)</sup> on DCM market with **7% market share** (59 issues > RUB850bn volume organized)
- **TOP-2** arranger of ESG-bonds in Russia<sup>(1)</sup> with **8% market share**
- **TOP-1** in import factoring<sup>(2)</sup>
- **TOP-2** in international factoring<sup>(2)</sup>

## KEY ACHIEVEMENTS

### CIB

- MKB has **increased** its trade finance portfolio **by 92% YTD to USD1.7bn**
- New strategic clients:
  - **RusHydro**: for the first time MKB included in the list of banks for placing liquidity. Loan line to YakutskEnergo in the amount of RUB1,8bn
  - **UMG**: the main servicing bank of the Group for the entire range of CIB products

### MKB-investments development

- **Top-15** brokerage company in Russia with RUB529bn turnover for September<sup>(3)</sup> (vs RUB269bn in 6m2021)
- **Top-8** brokerage company in IIA (individual investment account) segment<sup>(3)</sup>
- **Top-9** assets under management companies in terms of the amount of funds raised RUB9.7bn<sup>(4)</sup> (vs RUB5.5bn in 6m2021)

### DCM

- In September MKB printed a 5-year Senior Unsecured (**US\$500mm** at 3.875%) and a PerpNC5.5 AT1 (**\$350mm** at 7.625%) Eurobond offerings, thus continuing expanding its funding base and presence in the international debt capital markets

### ESG-transactions

- **Green loan** within the framework of Governmental National Project "Ecology"

# ESG achievements and initiatives

## ESG Highlights

- ✓ **First ESG-linked loan for a Russian bank**, regular borrower of sustainable financing
- ✓ Successful co-arranging **first in Russia perpetual green bonds and social Eurobonds**, active participant of sustainable bonds issues
- ✓ **Integrated management system policy** containing sustainable development commitments
- ✓ First among Russian banks approved and disclosed extended **Sustainability Strategy 2021-2023**
- ✓ Updated Procedure for managing **environmental and social impact of proposed financing**
- ✓ Compliant with national and international requirements own **sustainable financing taxonomy**
- ✓ **Active ESG consulting project** for the major Russian power grid company
- ✓ **New ESG project** to elaborate corporate social report 2021 for Rosseti-FGC UES (Russian energy company)



## Awards & Ratings

**RAEX-Europe** upgraded ESG rating on MKB to «A[esg]». Raex has assigned an **ESG Score of 72,9** (equivalent to a rating of Aesg)

**Sustainable Bank of the Year, Russia 2021**, Pan Finance Magazine award

## Recent developments & Major ESG deals 3Q2021

### UNEP FI membership

MKB signed the Principles for Responsible Banking, committing in particular

- to align business strategy with society's goals, as expressed in the UN SDGs and the Paris Climate Agreement;
- continuously increase positive impacts while reducing its negative impacts on people and environment;
- work responsibly with its customers; proactively consult and engage with stakeholders;
- be transparent, etc.

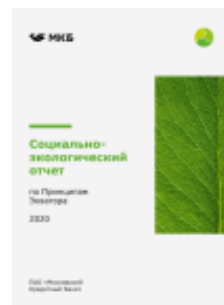
### First in Russia international ESG KPI-linked syndicated loan

- 2-year up to USD 300 mln syndicated loan agreement
- structured around 3 sustainability KPIs:

sustainable financing, reduction of electricity consumption, and certification of the currently deployed integrated management system under ISO 14001, ISO 45001, and ISO 50001

### Implementation of loan portfolio E&S risks assessment

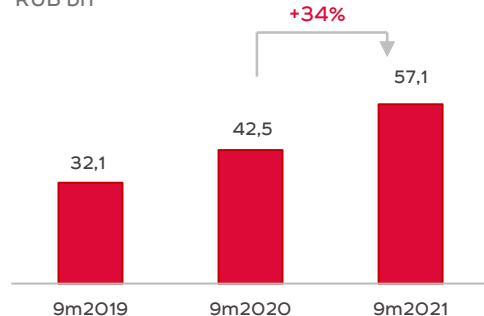
- E&S risk assessment and categorization of project finance is done. Equator Principles Report was issued
- E&S risk assessment of non-project finance according to EBRD approach in progress



# Strong business performance in 9m2021

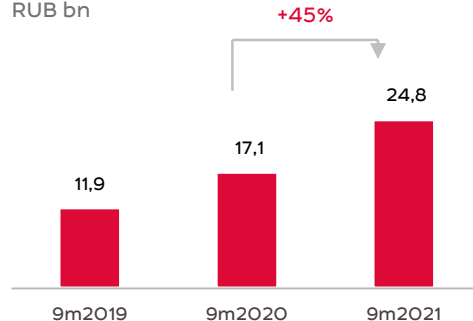
## Net interest income

RUB bn



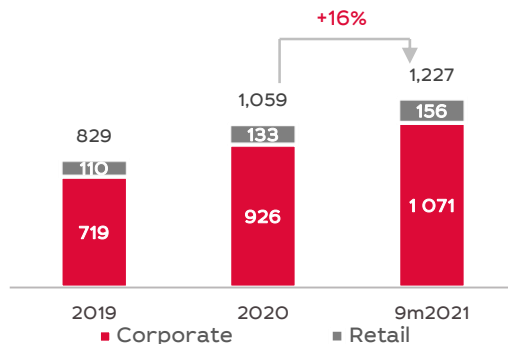
## Net income

RUB bn



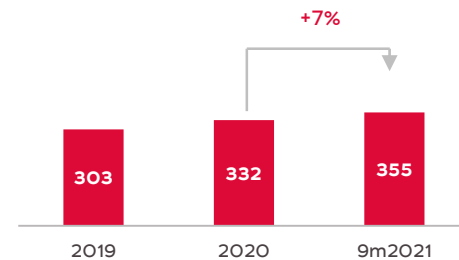
## Loan portfolio

Before provisions, RUB bn



## Total Basel Capital

RUB bn



## Key events and achievements

- **Confident NII** growth (+34%) mainly due to the increase of % income from loans to customers translated into an increase of RUB 7.7 BN in terms of Net Income amid tighten key rate environment
- **Net corporate loans** increased by **17% ytd**
- **Mortgage** portfolio surged by **38% ytd**
- **Total Basel Capital** grew by **7% ytd** and reached RUB355 bn due to retained earnings and SPO



## Awards

Sustainable Bank of the Year, Russia Pan Finance, 2021

Best Service in Russia. Euromoney Cash Management Survey – 2021.

International Finance Awards 2021: “Fastest Growing Corporate Bank” and “Best Investor Relation – Banking”



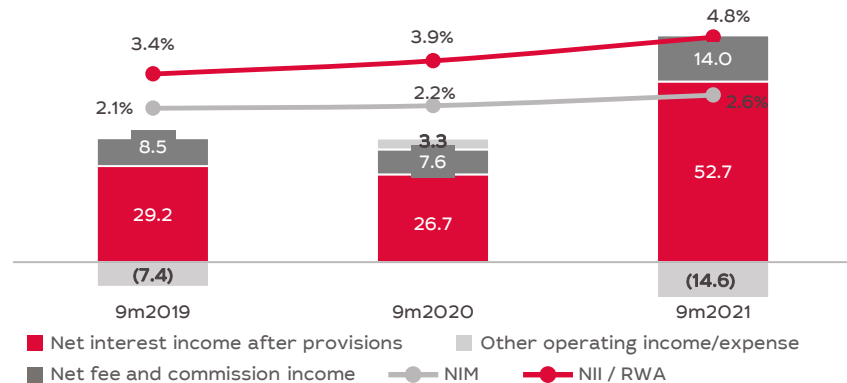
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# Strong operating efficiency and profitability

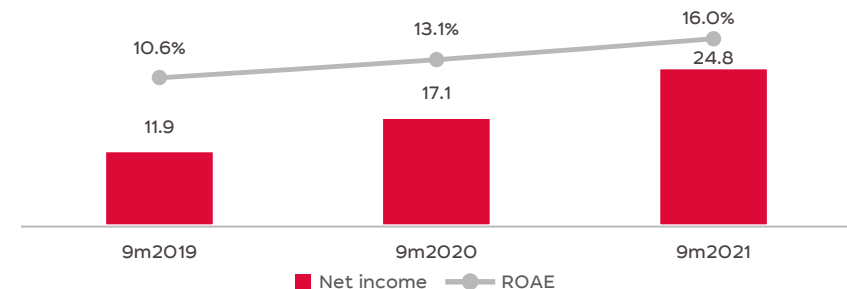
## Operating Income and NIM

RUB bn



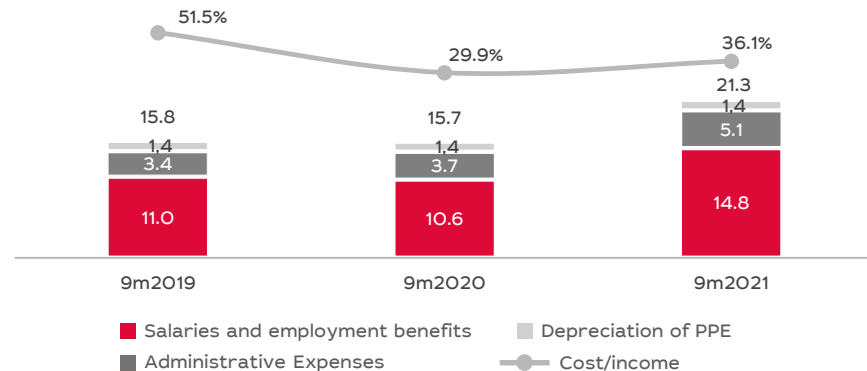
## Net Income & ROAE

RUB bn



## Operating Expenses

RUB bn



## Highlights:

**38%**

Increase in operating income was driven by the growth of both NII (RUB 57bn +34% yoy) and Net F&C income (RUB 14bn, +83% yoy) amid the expanding of volume and higher yields of the loans

**2.6%**

NIM has improved by 20 bps in 3Q2021, totaling a 40 bps growth vs 9m2020 amid overall microenvironment considering the impact of rates on net interest income and in the context of solid loan portfolio increase

**36%**

Cost / income ratio reached targeted mid-term level

**16.0%**

ROAE is at estimated strong setting

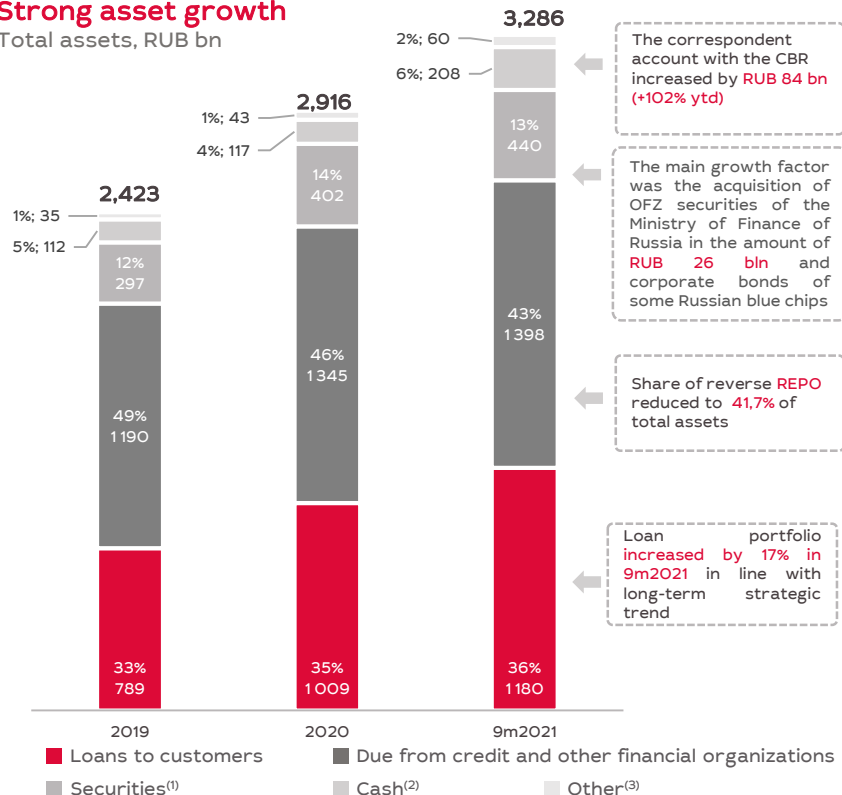
Source: IFRS Financial Statements

Notes: (1) Operating income excluding charge for credit losses on debt financial assets, net (loss) gain on loans to customers at fair value through profit or loss and impairment gain (losses) on other financial assets, credit gain (losses) on other financial assets and credit related commitments and other provisions.

# Evolution of assets and liabilities

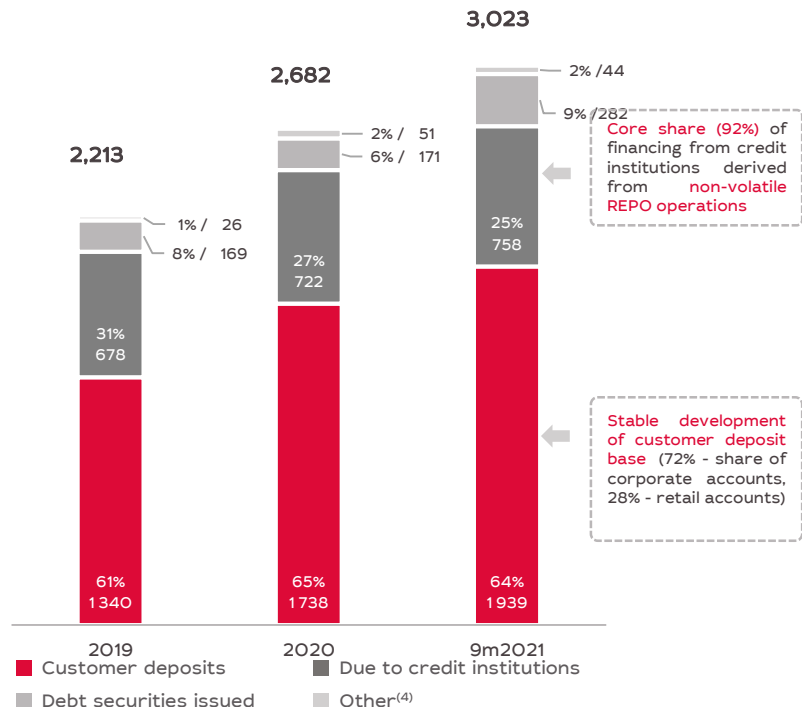
## Strong asset growth

Total assets, RUB bn



## Diversified funding

Total liabilities, RUB bn



Source: IFRS financial statements.

Notes: (1) Include trading financial assets less derivative financial instruments and investment financial assets. (2) Includes cash on hand, correspondent account with the CBR and Nostro accounts with other banks. (3) Includes obligatory reserves with the CBR, investments in associates, property and equipment, deferred tax asset, derivative financial instruments, other assets. (4) Includes deferred tax liability and other liabilities.



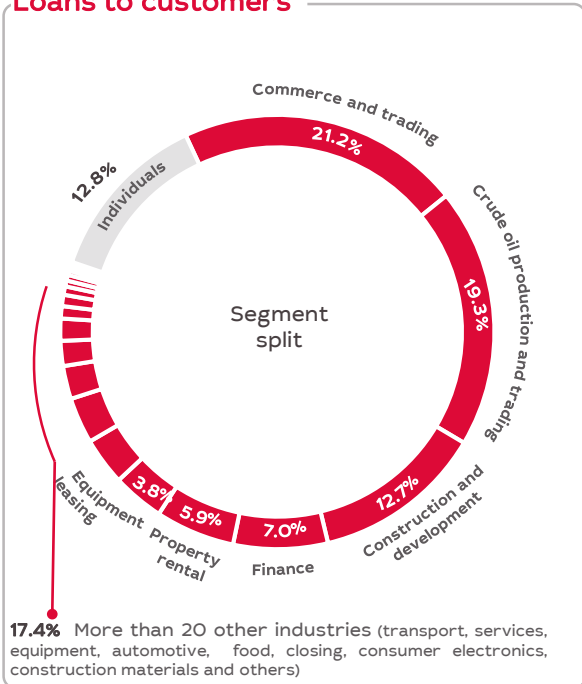
# Total assets composition

**RUB 3,286bn**

As of 30 Sep 2021



## Loans to customers



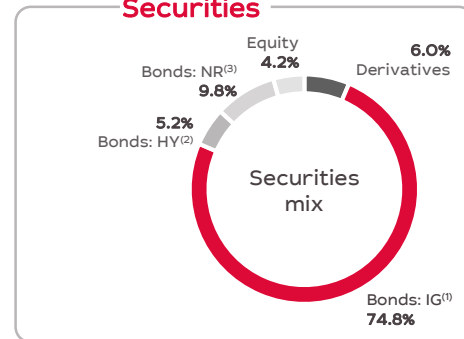
## Deposits in credit inst.

**c.95%**

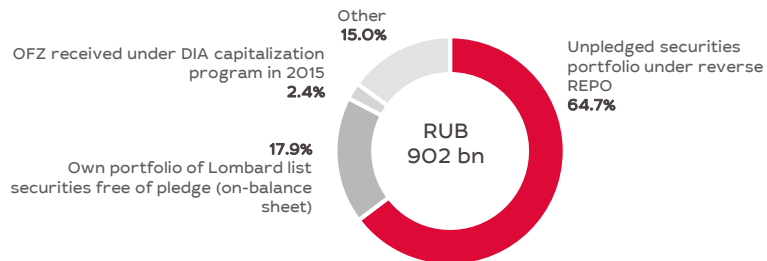
receivables under reverse sale and repurchase agreements are liquid securities of investment-grade

Ratings are based on Fitch, Moody's and Standard & Poor's rating systems

## Securities



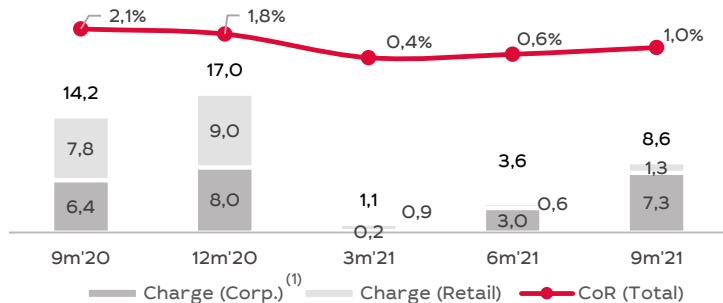
## Unused liquidity sources



# Asset quality metrics

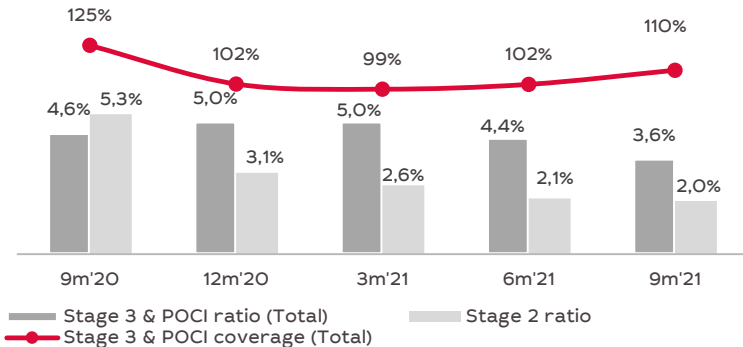
## Charge for credit losses and cost of risk

%, bln RUB



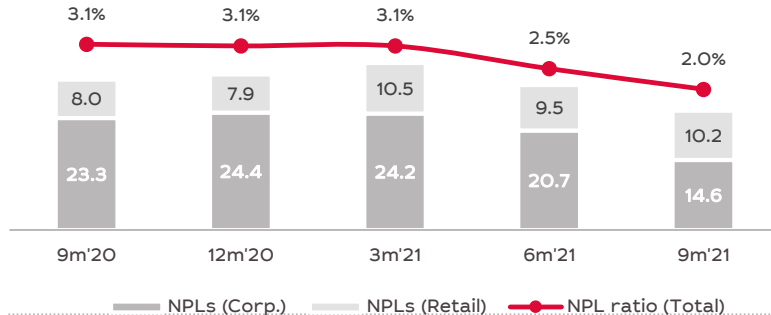
## Stage 2, 3 & POCI ratio and coverage

%



## NPLs and NPL share

bln RUB, %



## Highlights:

**Increase of COR in 3q2021** was empowered by addition provision charge mostly of 2,3 Stages and POCI

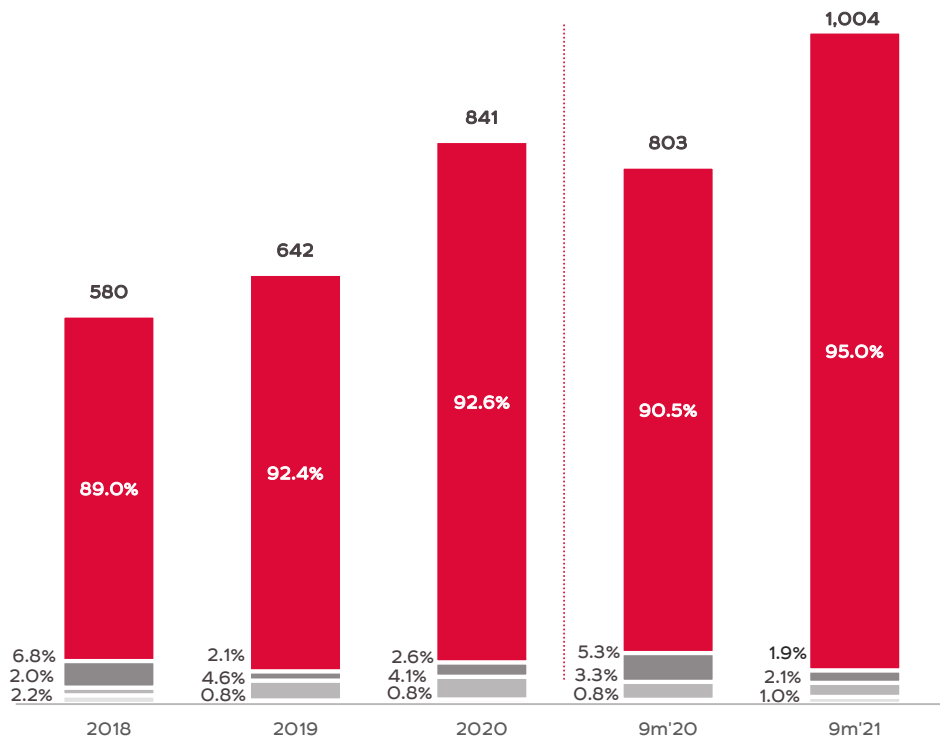
A noticeable **improvement in the asset quality** of the loan portfolio, sustainable decrease of stage 2 & 3 loans and NPL ratio amid issuance of loans with high ratings and updates to the financial block of the rating model

**Stage 3 of corporate portfolio declined** in amount of RUB 11.1 bn in 3Q2021 (by 34%)

# Corporate portfolio quality evolution

## Total gross corporate loan portfolio at amortized cost

RUB bn



## Stages year-to-date dynamics

RUB bn

	Total	Allowance	Coverage <sup>(1)</sup>
<b>Stage 1</b>			
9m2021	954.1	9.4	1.0%
2020	778.7	10.4	1.3%
<b>Stage 2</b>			
9m2021	18.8	2.5	13.2%
2020	21.5	1.3	6.1%
<b>Stage 3</b>			
9m2021	21.2	18.5	87.0%
2020	34.1	25.4	74.4%
<b>POCI</b>			
9m2021	10.3	2.9	28.2%
2020	6.5	-	-

Source: IFRS financial statements; Company data

Notes: (1) Calculated as allowance related to specific stage divided by total amount of corporate loan portfolio classified under specific stage.

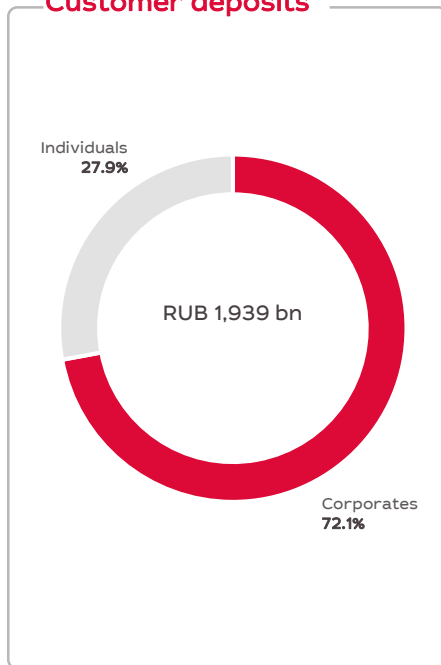
# Total liabilities and equity composition

**RUB 3,286bn**

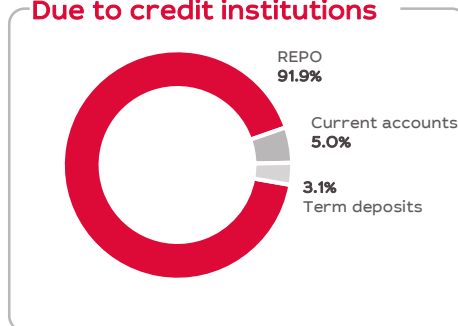
As of 30 Sep 2021



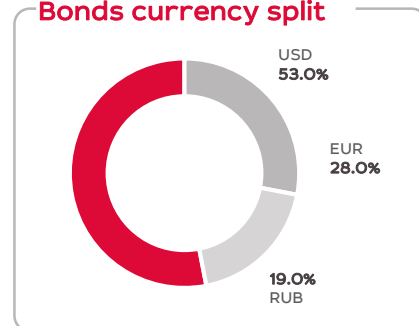
## Customer deposits



## Due to credit institutions



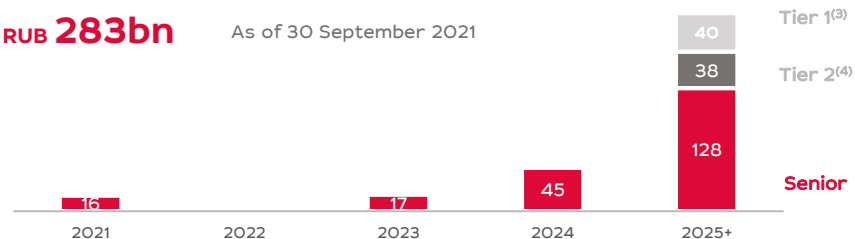
## Bonds currency split



## Eurobonds repayment schedule

**RUB 283bn**

As of 30 September 2021



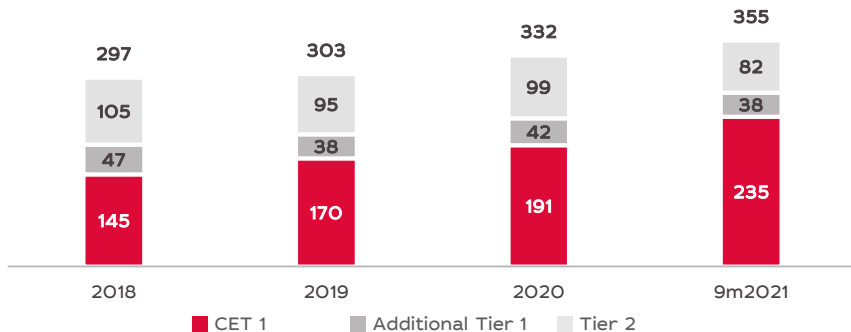
Source: IFRS Financial Statements; Company data; public sources.

Notes: (1) Includes debt securities issued. (2) Includes deferred tax liability and other liabilities. (3) With a call option embedded: first call date in Nov 2022, and then at every coupon date at the issuer's discretion. (4) With a call option embedded: first call date in Oct 2022, and then at every coupon date at the issuer's discretion.

# Sound capital position

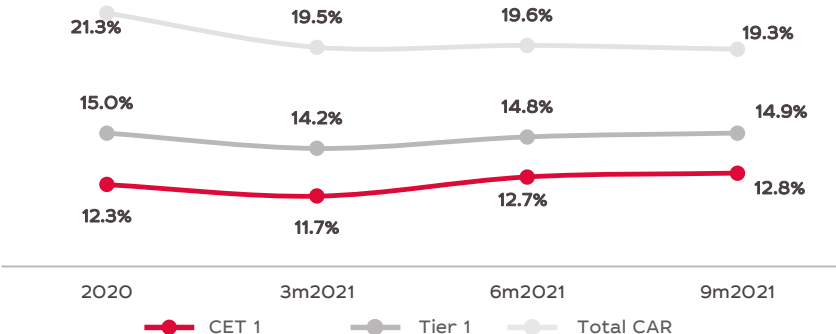
## IFRS capital adequacy (Basel III)

RUB bn



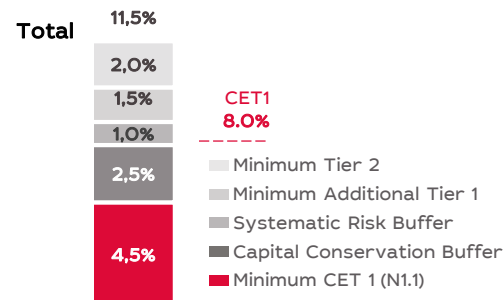
## IFRS capital adequacy ratios (Basel III)

%



## RAS capital adequacy requirements

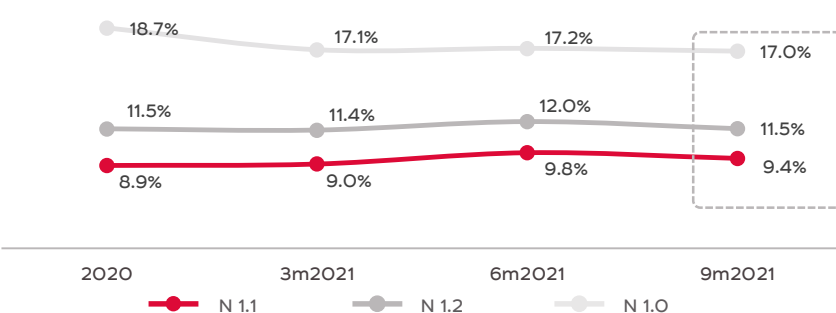
%



The CET1 capital ratio improved and reached 10.0% in 1<sup>st</sup> of September amid share capital raising in the amount of RUB22.7 bn, the improvement of loan portfolio quality and ruble strengthening

## RAS capital adequacy ratios

%



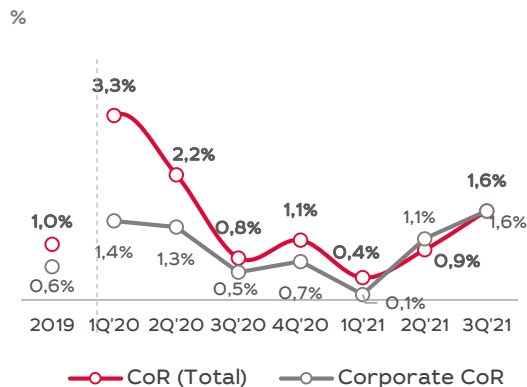
Regulatory capital composition

## Appendix

# COVID-19 risks and approach

Conservative approach to credit risk before COVID and proactive customer support measures allowed to minimize the negative impact of COVID

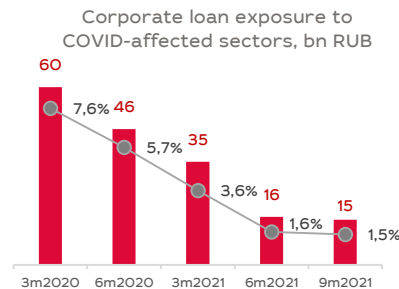
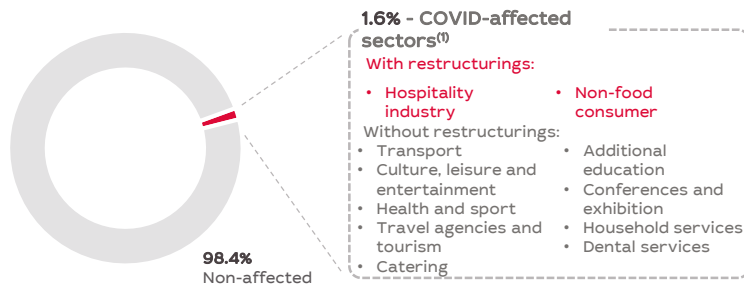
## Quarterly CoR dynamics



- Focus on large corporates makes MKB potentially less vulnerable to economic shocks
- Wide support measures - mostly represented by the bank's own programs - are favorable for the quality of loan portfolio
- Preventively created provisions during 1Q'20 in view of the COVID-19 outbreak

## Portfolio focus on large corporates with strong credit

Corporate loan portfolio exposure to COVID-affected sectors<sup>(1)</sup>



## Approved restructurings



### Retail segment

**RUB 1.9bn** restructurings including COVID-related during 9m2021

**RUB 13.4bn** Total amount of restructurings including COVID-related in 2020

**> 90%** of loans restructured return to the initial payment schedule



### Corporate segment

**Zero** COVID-related restructurings during 9m2021

**RUB 50.6bn** total amount of COVID-related restructurings in 2020<sup>(2)</sup>

Source: Company data, IFRS financial statements, public sources

Notes: (1) As of 30 June 2021, COVID-affected sectors as defined by the Order of the Government of Russia No. 434 (2) In Apr -Dec 2020