



Webcast and Conference call 2020 financial results

01 September 2020

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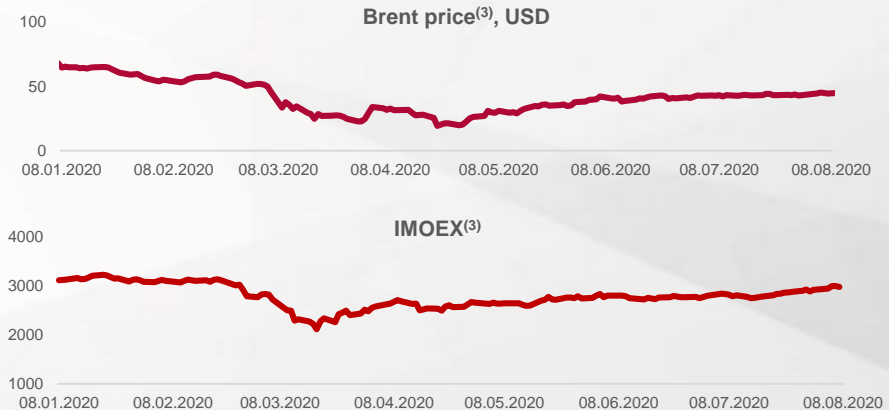
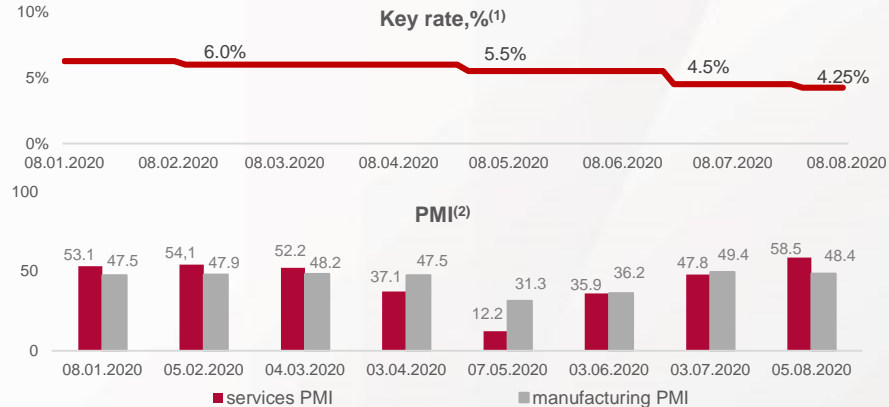
MKB Resilience Capacity in a Challenging Environment

Macro environment ⁽¹⁾

- CBR cut key rate to a record low level 4.25% since 24th of July 2020
- Softening of CBR requirements for credit institutions⁽¹⁾ regarding some regulatory ratios, provisions and loan repayment holidays, support to credit institutions and to the financial system overall
- PMI (Purchasing Managers' Index) indexes in June and July reflect credit and business activity stabilization following lockdown measures cancellation
- Global COVID-19 related restrictions easing brings oil price stabilization

MKB defense to external shocks

- **LOW RISK BALANCE SHEET**
Limited exposure to higher risk sectors due to MKB focus on large corporates
Strong liquidity and funding position
- **CAPITAL STRENGTH**
Solid capital adequacy levels with Tier 1 ratio of 13.7% (IFRS)
- **EFFICIENT AND TIMELY RESPONSE**
Early identification of potentially problem loans (sectors)
Lower funding expenses in 1H2020 supported NIM



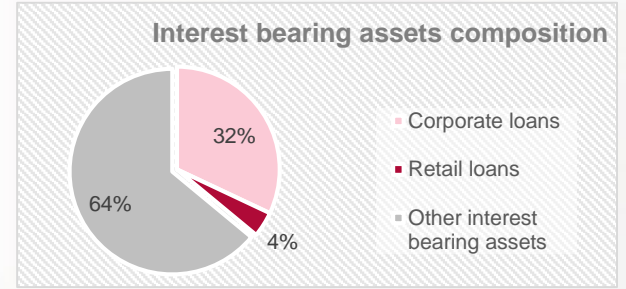
Notes: (1) Source: CBR <https://www.cbr.ru/press/keypr/> (2) Source: <https://ru.investing.com/> (3) Source: <https://www.moex.ru>

COVID-19: Support Measures

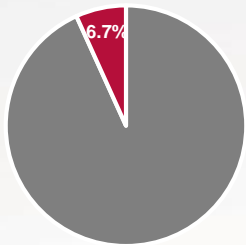
MKB focus on large corporates rather than the more affected SME and retail segments makes the bank potentially less vulnerable to the economy shock

Borrowers not covered by the Government-approved list of companies most affected by consequences of the coronavirus outbreak, but experiencing deterioration of business indicators, may apply for restructuring of their loans subject to provision of requisite documents

MKB implements measures to support retail clients facing difficulties due to the epidemiological situation since April 2020

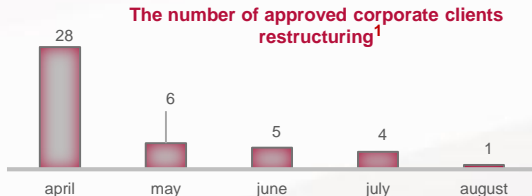


Corporate loans, incl. SME

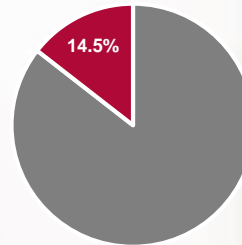


- The bank's COVID-19 affected corporate loans including SME restructuring in the period from 25th March to 19th August are **c. 6.7%** of gross corporate loan portfolio (vs an average 7.3% among the 11 systemically important banks, excluding SME)
- The number of approved restructuring loans of corporate clients reduces from month to month since coronavirus outbreak. The trend of restructuring applications is now positive down from 28 clients in April to 1 client in August
- 44 requests** of corporate clients approved for restructuring to date⁽¹⁾ including Bank's program and CBR statements

- COVID-19-affected restructured loans in March-August 2020 under CBR statements and Bank's program

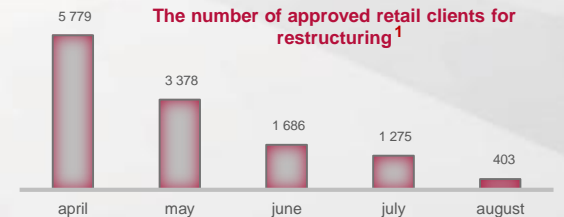


Retail loans



- The bank's COVID-19 affected retail loans restructuring in the period from 25th March to 19th August is **c. 14.5%** of gross retail loan portfolio
- The number of approved restructuring loans of retail clients reduces from month to month since coronavirus outbreak. The trend of restructuring applications is positive down from circa 6k in April to circa 0.4k in August
- c. 12.5k requests of retail clients** approved for restructuring to date⁽¹⁾ (c.7% of total retail borrowers) including Bank's program and 106-FZ

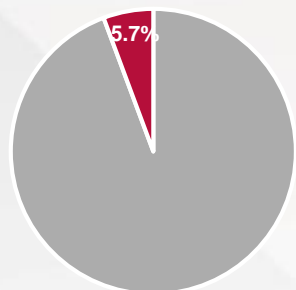
- COVID-19-affected restructured loans in March-August 2020 under 106-FZ⁽²⁾ and Bank's program



Notes: (1) Company data at 19/08/2020 (2) Russian Government has announced economic measures (Federal Law № 106 of 3 April 2020) to support individuals and individual entrepreneurs most affected by the spread of COVID-19. The Law, in particular, provides "credit holidays" for individuals, individual entrepreneurs and SMEs

Corporate Loans: Individual Approach

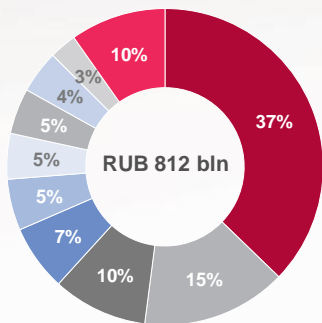
Corporate loans exposure to COVID-affected sectors in accordance with Government Decision № 434⁽¹⁾



■ Affected industries:

1. Transport
2. Culture, leisure and entertainment
3. Health activities and sport
4. Activities of travel agencies and tourism
5. Hospitality industry
6. Catering
7. Organization of additional education
8. Organization of conferences and exhibition
9. Household services
10. Dental services
11. Non-grocery consumer goods

Corporate Loan Portfolio Diversification



- Crude oil production and trading
- Petroleum refining / production and trading
- Property rental
- Residential and commercial construction and development
- Automotive, motorcycles and spare parts
- Financial companies
- Services
- Equipment leasing
- Metallurgical
- Other²

Analysis of industries affected by COVID-19 in Russia

- Russian Government has announced economic measures to support individuals and 11 industries most affected by the spread of COVID-19
- **5.7%** of the Bank's gross corporate loan portfolio are borrowers from the affected industries in accordance with Government Decision N434

Provisioning policy

- Pandemic outbreak became a trigger to market tendency of provisions tightening. Macroeconomic factor used for expected credit losses (ECL) calculation grew from 110% at the end of 2020 to **c.134% as at 30 June 2020**
- **MKB preventively tightened provision for loan impairment policy under IFRS in 2Q2020 (+121% yoy)**. The Bank incorporated updated forward-looking information relating to the economic impact of COVID-19 into measuring ECL through macroeconomic adjustment for all classes of financial assets
- Corporate **cost of risk** remained at the level of **1Q2020** and amounted **1.4%**, which reflects the result of the bank's preventive risk policy implementation

Notes: (1) Decision of the Government of the Russian Federation No. 434 of April 3, 2020: approval of the list of sectors of the Russian economy that were most affected by the deteriorating situation as a result of the spread of the new coronavirus infection. (2) Includes more than 10 other industries. IFRS, company data

International capital market transactions

- On 21st of May 2020, **Emirates NBD Bank** (P.J.S.C) signed an accession **agreement to join the syndicate** of banks providing a USD loan facility to MKB. Thus, MKB has expanded further the deal's geography, which initially covered Europe, the USA and Saudi Arabia
- On 28 May 2020, MKB signed **an Agreement** to raise funds from the **China Development Bank** in the amount of up to 200 million CNY

Liability management process

- On 2nd of June 2020 MKB launched **tender offer to purchase** 2 senior Eurobonds due 2021 and 2023
- On 12th of June 2020, MKB **cancelled U.S.\$129.8 mn** in aggregate principal amount of two senior Eurobond (LPN) issues due 2021 and 2023 repurchased by way of an earlier announced tender . The purpose was to take advantage of the bank's strong liquidity position and manage its debt maturity profile, reduce the cost of funding, and provide a degree of liquidity to noteholders

Credit ratings update

- On 23 July 2020 **S&P affirmed BB-**, stable outlook 

Corporate news

- MKB financed construction of grid power line for Nezhda field
- MKB is one of the three **leaders** in Cbonds' league table of **domestic bond arrangers** for the 1st quarter of 2020. Since the beginning of this year, the Bank has conducted more than 30 placements of various companies with a total nominal value of about 400 billion rubles. The Bank has arranged domestic bonds for Sberbank, RZD, Slavneft, Rusal, VEB, Evrotorg, Sistema and others Russian issuers
- On 18 June, 2020 MKB opened **a new branch in Noginsk**, widening the geographical coverage. As part of the strategy, new branches appeared in Kazan, Izhevsk and Yekaterinburg during 5m2020. The regional network of the bank consists of more than 130 branches in 22 regions of Russia
- On 19th June 2020 the annual General Shareholders' Meeting of CREDIT BANK OF MOSCOW (public joint-stock company) **decided not to pay dividends** for the year ended on 31 December 2019 taking into account current market environment and the CBR recommendations

ESG

- MKB recognized among **top-5 leading Russian banks in terms of sustainable development** by WWF-Russia*
- First **ESG strategy** developed and supported by the Strategy and Capital Markets Committee of the Supervisory Board
- MKB, as a **proactive participant of the local green community** having profound practice and experience in this area, was engaged in discussions of the draft of Russian green finance guidelines, published by VEB.RF
- MKB remains an active participant of **the state subsidized programmes supporting**, among others, systemically important enterprises, exports, young families mortgages
- Active work on development of internal green taxonomy and expansion of green financing

* According to a Study on the application of responsible financing in the Russian banking sector, WWF-Russia, 2020

Financial Highlights for 6m2020

Key performance highlights

Confident profit

- **Net income** increased to RUB 9 bln mainly driven by 44.5% yoy growth of net interest income (RUB 27 bln) and sufficient amount of non-interest income (RUB 7,6 bln)
- **NIM** went up to 2.2% supported by net interest income growth
- **CTI** is strong for the period at the level of 30.8%

Improving asset quality

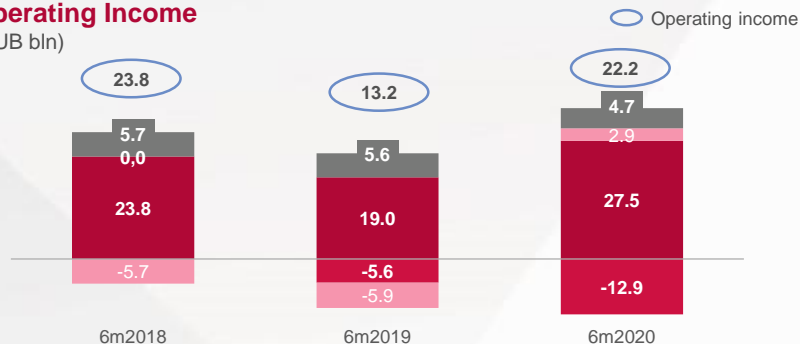
- **NPL ratio** is stable at the level of 3.4%
- Significant **securities portfolio increase (+57% ytd)** in 1H2020. 83% of investment financial assets are qualified to be pledged against borrowings from the Central bank of the Russian Federation

<u>Income statement</u> <u>(RUB bln)</u>	<u>6m2020</u>	<u>6m2019</u>	<u>Change, y-o-y, %</u>
Net interest income	27	19	▲ + 44.5%
Net fee and commission income	5	6	▼ - 15.7%
Non-interest income	7.6	(0.3)	▲ + 2773%
Charge for credit losses on debt financial assets	(13)	(6)	▲ + 133.0%
Profit for the period	9	2	▲ + 322.2%
NIM	2.2%	1.9%	▲ + 0.3 p.p.
RoAA	0.7%	0.2%	▲ + 0.5 p.p.
RoAE	10.5%	2.9%	▲ + 7.6 p.p.
CTI	30.8%	68.2%	▼ - 37.4 p.p.
COR	2.8%	1.7%	▲ + 1.1 p.p.
<u>Balance sheet</u> <u>(RUB bln)</u>	<u>2Q2020</u>	<u>2019</u>	<u>Change, ytd, %</u>
Total assets	2,752	2,423	▲ + 13.6%
Securities portfolio	465	297	▲ + 56.9%
Loans to customers (gross)	929	829	▲ + 12.0%
Deposits by customers	1,416	1340	▲ + 5.7%
Total equity	217	210	▲ +3.1%
NPL 90+ / Gross loans	3.4%	3.6%	▼ - 0.2 p.p.
Tier 1 ratio	13.7%	14.5%	▼ - 0.8 p.p.

Financial Results

Operating Income

(RUB bln)



■ Net fee and commission income

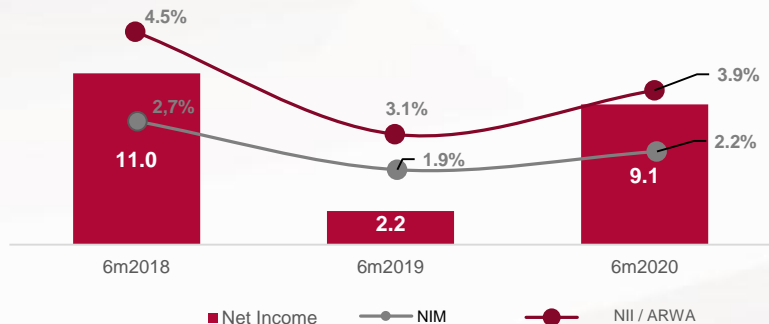
■ Provision

■ Other operating income/loss (incl. FX revaluation)

■ Net Interest Income

Net Income & NIM & NII/ARWA

(RUB bln)



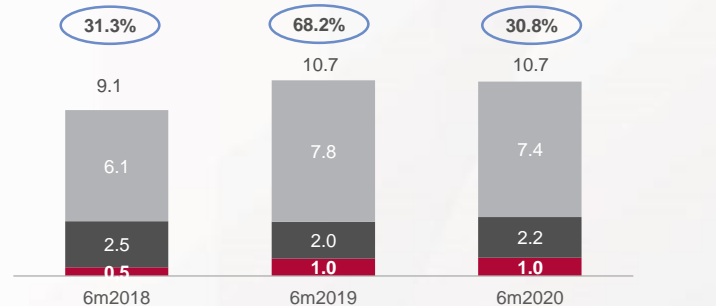
■ Net Income

—●— NIM

—●— NII / ARWA

Operating Expenses

(RUB bln)



■ Salaries and Employment Benefits

■ Administrative Expenses

■ Depreciation of PPE⁽¹⁾

○ Cost to Income Ratio

Comments

- **Operating income** increase from RUB 13.2 bln in 1H2019 to **RUB 22.2 bln** in 1H2020 was driven by the rise of net interest income to **RUB 27.5 bln** (+45% yoy) and despite additional loan loss provisioning linked with the COVID-19 pandemic
- **NII/ARWA** reached **3.9%** increasing by 0.8 pp as a result of optimal usage of the bank's funding base amid overall reduction of interest rates in the Russian economy
- Strong operating results led to double-digit **ROE** at the amount **10.5%** also due to positive effect of securities trading in 2Q2020

Source: Company data.

Notes: (1) Depreciation of property and equipment and right-of-use assets.

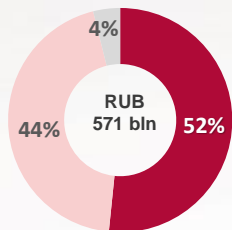
Assets Composition - Highly Liquid Assets are a Key Priority

Total Assets⁽¹⁾ (RUB bln)

Deposits in Credit institutions

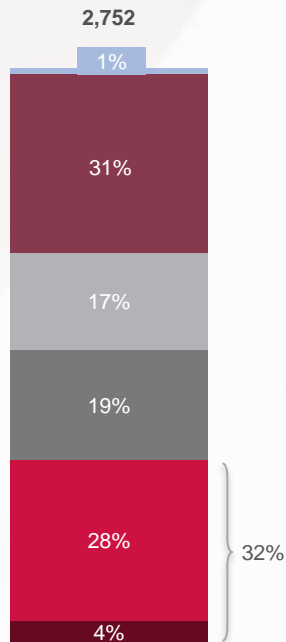
- Reverse REPO portfolio share declined from 48.4% to 43.5% of assets in 1H2020
- c.90% of securities that serve as collateral under reverse sale and repurchase agreements have rating grade BBB- and above
- Reverse REPO agreements pressure on capital is close to 0

Unused liquidity sources structure⁽⁵⁾

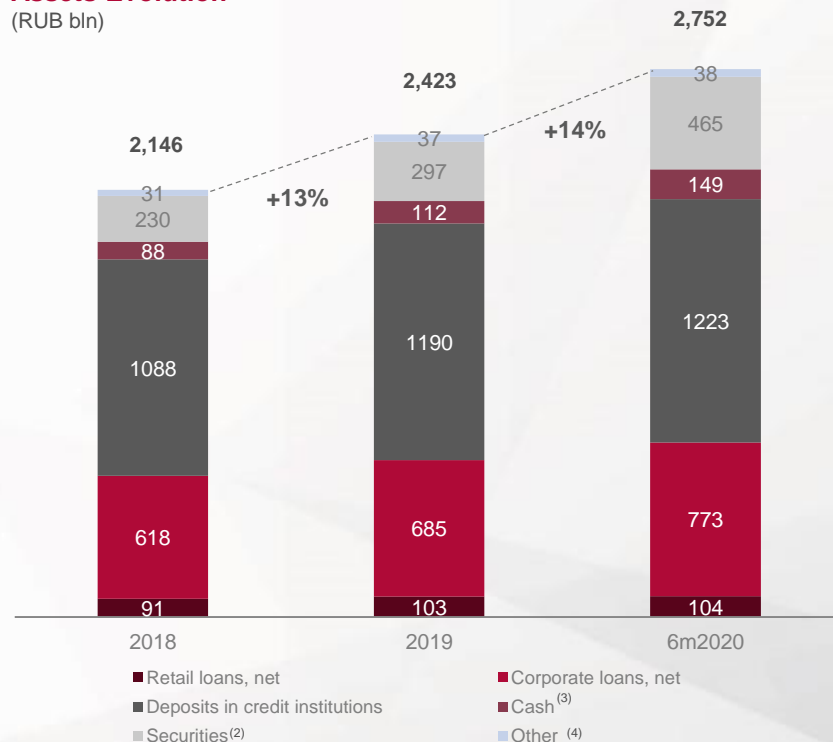


- Unpledged securities portfolio under reverse REPO
- Own portfolio of Lombard list securities free of pledge (on-balance sheet)
- OFZ received under DIA capitalization program in 2015

- Other
- Cash
- Securities
- Deposits in credit institutions
- Corporate loans, net
- Retail loans, net



Assets Evolution (RUB bln)



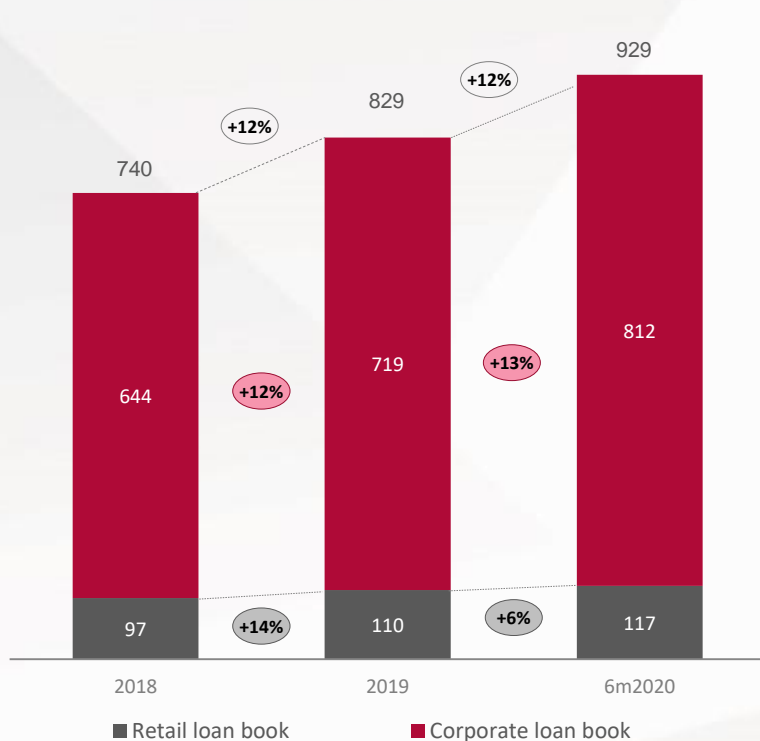
Source: IFRS financial statements; Company data.

(1) As at 30 June 2020. (2) Securities include trading financial assets less derivative financial instruments and investment financial assets. (3) Cash includes cash on hand, correspondent account with the CBR and Nostro accounts with other banks. (4) Includes obligatory reserves with the CBR, Investments in associates, Property and equipment, Deferred tax asset, Other assets. (5) As at 30 June 2020.

Focus on Reasonable Lending Growth

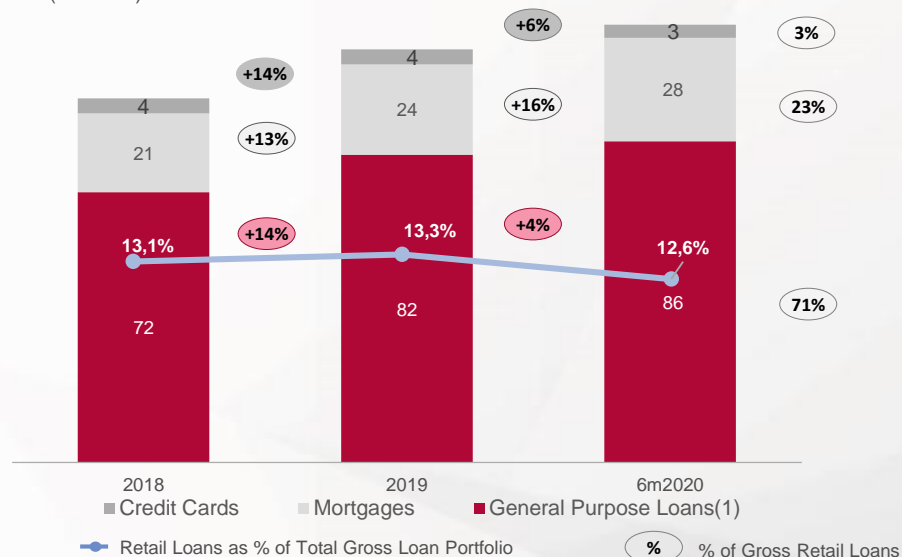
Loan Portfolio Evolution

Breakdown, gross loans (RUB bln)



Retail Loans Breakdown

(RUB bln)



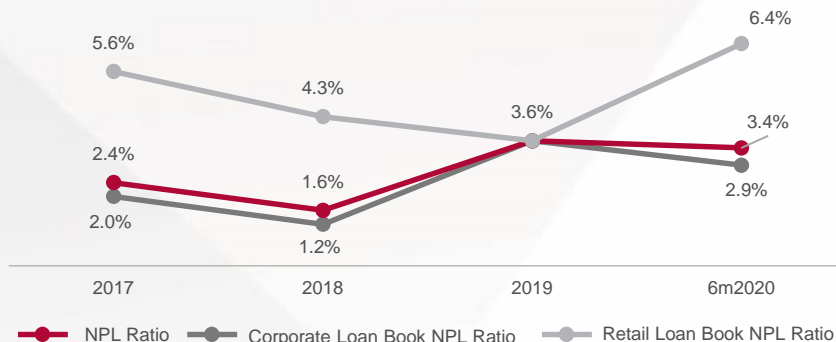
Retail loans portfolio growth in the first half of 2020 was mainly driven by mortgages (+ RUB 3.9 mn) and auto loans (+ RUB 3.3 mn). **Auto loans portfolio** got significant increase through acquisition of SME and retail focused Vesta and Rusnarbank in June 2020

Source: IFRS Financial Statements; Company data.

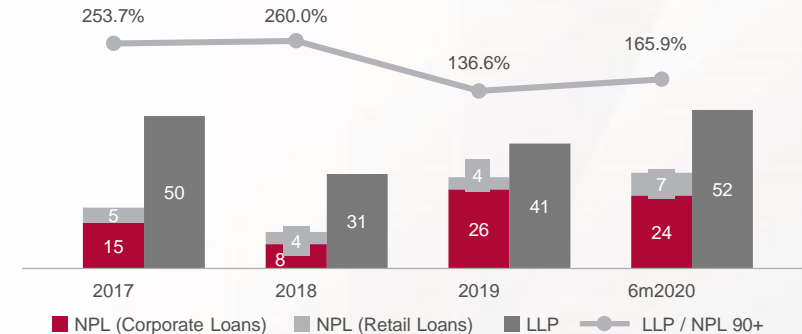
(1) Includes auto loans

Provisioning Approach Adapted to the New Challenges

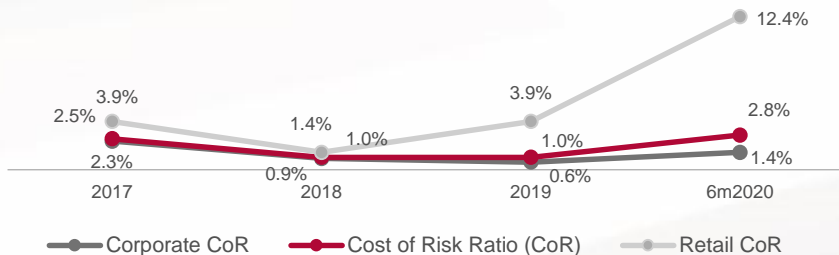
NPL Ratio (%)



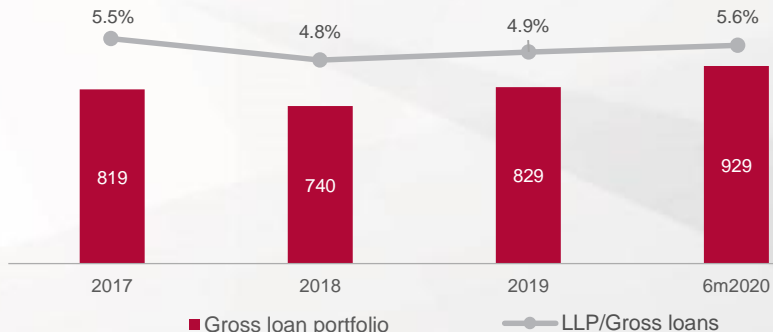
NPL Coverage (RUB bln)



Cost of Risk (RUB bln)



Gross loan portfolio coverage by impairment allowance (% of Gross Loans)

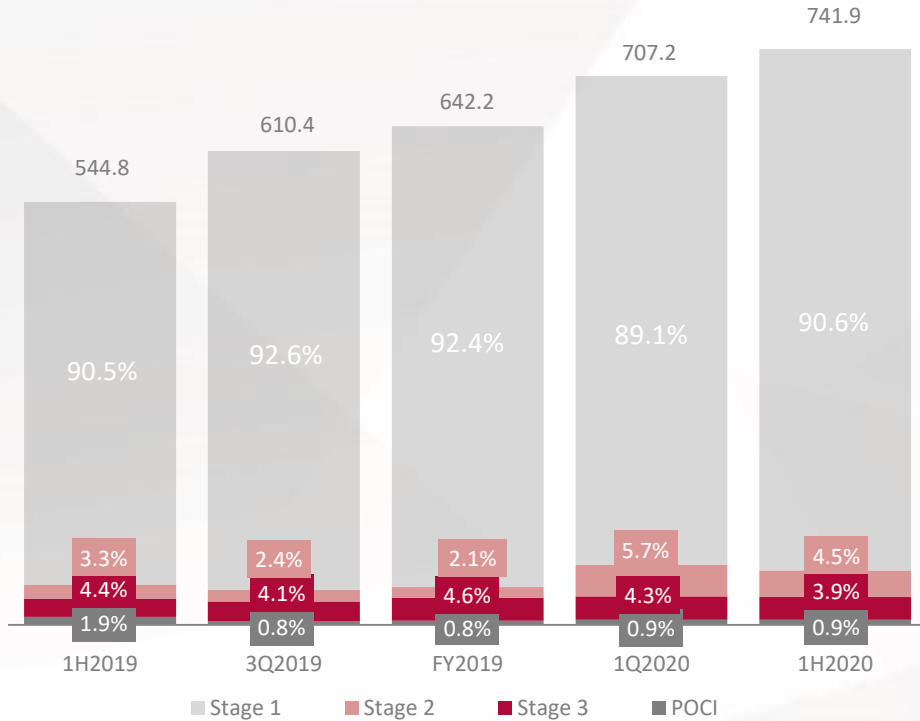


Source: IFRS financial statements; Company data.

Corporate Portfolio Evolution

Total gross corporate loan portfolio at amortized cost

(RUB bln)



2Q2020 (1Q2020)

	Total (RUB billion)	Credit loss allowance (RUB billion)	Coverage (%)
Stage 1	672.3 (630)	11.9 (11.7)	1.8%
Stage 2	33.7 (40.5)	3.6 (4.0)	10.6%
Stage 3	29.1 (30.2)	23.7 (22.5)	81.3%
POCI¹	6.7 (6.6)	0.1 (0.1)	0.0%

Source: IFRS financial statements; Company data.

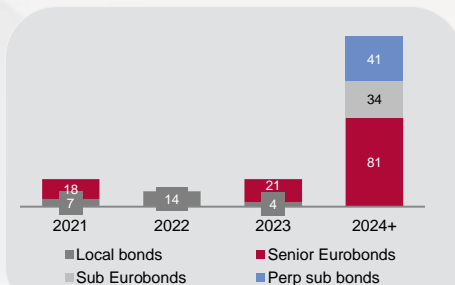
(1) POCI – purchased or originated credit impaired

Liabilities Composition

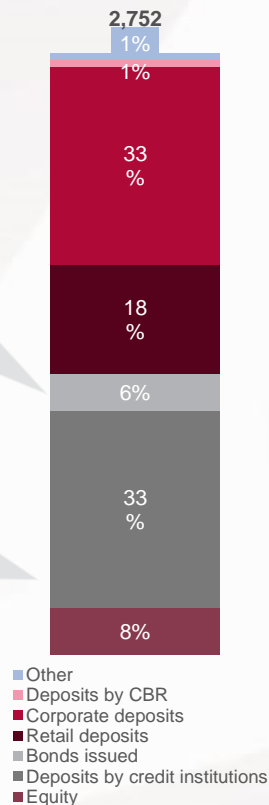
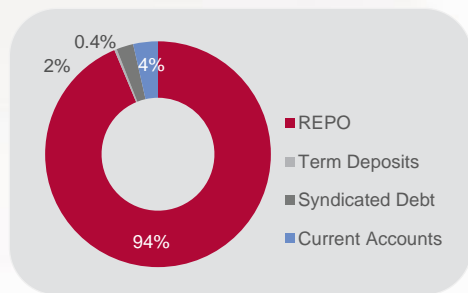
Total Liabilities and Equity

(RUB bln)

Debt Securities Repayment schedule⁽¹⁾

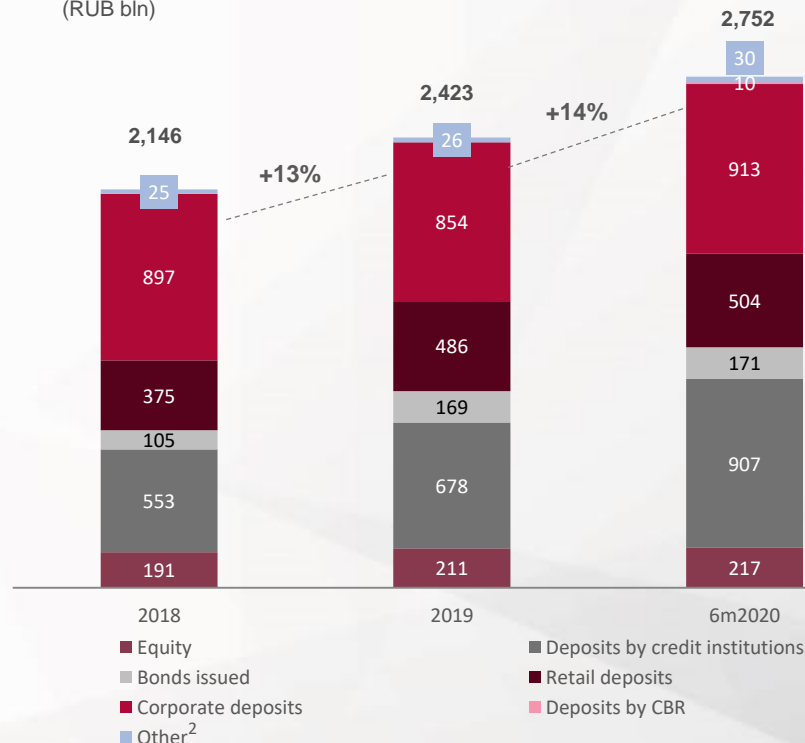


Due to Banks



Liabilities Evolution

(RUB bln)

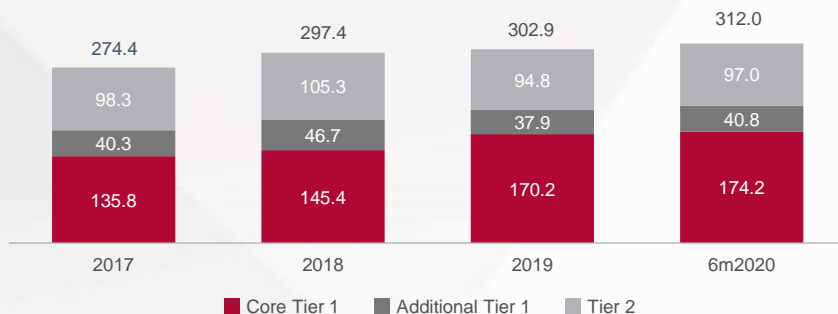


Source: IFRS financial statements; Company data.

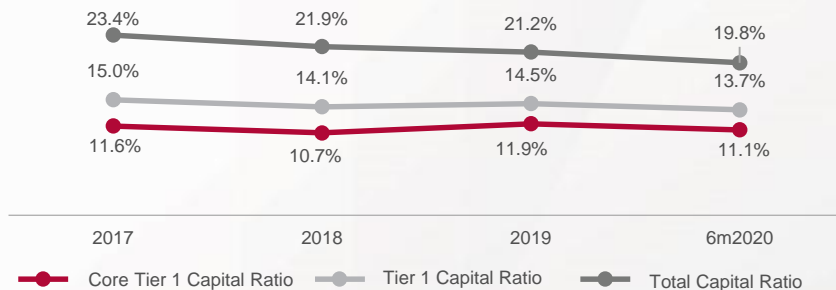
(1) Debt securities repayment schedule as of 30.06.2020. (2) Includes Deferred tax liability, Financial liabilities measured at fair value through profit or loss and other liabilities

Sound Capital Position

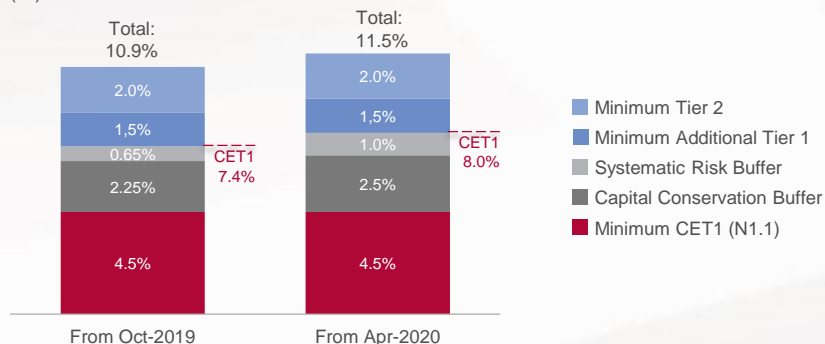
IFRS Capital Adequacy (Basel III) (RUB bln)



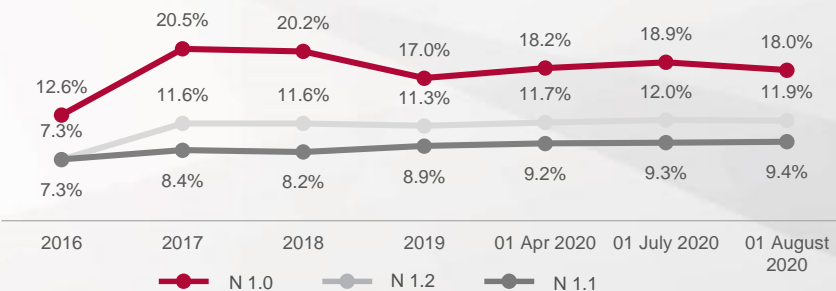
IFRS Capital Adequacy Ratios (Basel III) (%)



RAS Capital Adequacy Requirements (%)



RAS Capital Adequacy Ratios (%)



Source: CBR; RAS and IFRS financial statements.